



DETERMINATION OF MERGER NOTIFICATION M/12/004 -

Southbank Media/Travel Channel

Section 21 of the Competition Act 2002

Proposed acquisition by Southbank Media Limited of Travel Channel International Ltd.

Dated 20 April 2012

Introduction

1. On 22 March 2012, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received notification of a proposed transaction by Southbank Media Limited, a wholly owned subsidiary of Scripps Networks Interactive Inc ("Scripps"), of sole control of Travel Channel International Ltd ("Travel Channel International.").
2. On 23 March 2012, the Authority forwarded a copy of the notification to the Minister and notified the undertakings involved in the proposed transaction that the Authority considered it to be a "media merger" within the meaning of section 23 of the Act.

The Undertakings Involved

Scripps

3. Scripps is a leading developer of lifestyle-oriented content for different media platforms including television, digital, mobile and publishing. Its media portfolio includes lifestyle brands such as Home and Garden Television, Food Network, Travel Channel¹, DIY Network, Cooking Channel, and country music network Great American Country. Scripps' television channels are complemented with online video, social media and e-commerce components on companion websites. Scripps states on its website that its interactive programming is viewed on every continent worldwide, while its websites lead their respective categories with more than 18 million unique visitors every month. Although Scripps' television channels are primarily broadcast in the United States, it operates a version of Food Network in the United Kingdom (UK), Food Network UK. Scripps has also launched Food Network in other European markets as well as in the Middle East and Africa. Scripps states on its website that in South Africa, Food Network has become the second highest rating lifestyle channel on the MultiChoice platform. Scripps is also preparing to launch Food Network in Indonesia, bringing the channel to five countries in Asia.

¹ Scripps' Travel Channel is a different television channel from the travel channel operated by Travel Channel International.

4. Scripps started "ramping up its international growth strategy in 2008" and says it is "poised to move its international ambitions forward."² Mr. Bob Baskerville, general manager of Scripps, stated as follows: "In just about 18 months time, we have become one of the unquestionable leaders in lifestyle programming in the U.K."³ Mr. Baskerville added, "In Sky homes we're delivering, in volume terms, amongst the highest viewing for this group in the lifestyle section." In its 2010 Annual Report, Scripps states that its strong financial growth is rooted in the power of its lifestyle media brands, including the Travel Channel referred to in paragraph 3 above which Scripps acquired in December 2009. Scripps states that its intention is to aggregate a larger audience and build a stronger marketing platform at Travel Channel for its advertising and distribution partners.
5. Scripps also states in its 2010 Form 10-K that, through equity ownership positions in joint ventures and other partnerships, it seeks to become a world leader in lifestyle media and brand-related products and services.⁴
6. Scripps recently acquired a 50% stake in UKTV, which was cleared by the Competition Authority in August 2011.⁵ The remaining 50% is currently held by BBC Worldwide Limited, a wholly owned subsidiary of the British Broadcasting Corporation. UKTV is engaged in developing and broadcasting television channels, websites and on-demand services. Its television channels can be categorised by their entertainment, lifestyle and factual content. UKTV's portfolio of channels includes: G.O.L.D, Dave, Watch, Alibi, Home, Good Food, Really, Eden, Blighty and Yesterday.
7. For the financial year ending 31 December 2011, Scripps generated worldwide turnover of approximately €1.5 billion.⁶ For the same period, Scripps generated [...] in the State. Scripps's non-consolidated 50%-owned subsidiary, UKTV, generated turnover in the State of €[...] for the financial year ending 31 December 2011.⁷

Travel Channel International

8. Travel Channel International is an independent company headquartered in London which operates the Travel Channel International, an international travel broadcaster, transmitting 24 hours a day in 21 languages across Europe, the Middle East, Africa and the Asia Pacific region. In the State, the Travel Channel International is available to Sky subscribers and via free to air digital satellite and one cable platform (Magnet Networks Ltd, whose platform covers the Dublin region).
9. For the financial year ending 31 December 2011, Travel Channel International generated worldwide turnover of approximately €19

² See *International Development*, at <http://www.scrippsnetworks.com/category2.aspx?code=04> (visited 17 April 2012).

³ See *Scripps Network International GM Bob Baskerville Discusses Global Expansion* (3 October 2011), at <http://www.scrippsnetworks.com/newsitem.aspx?id=607> (visited 17 April 2012).

⁴ Form 10-K is an annual report required by the Securities and Exchange Commission in the United States.

⁵ M/11/027 - Scripps/UKTV.

⁶ Using the ECB exchange rate as at 31 December 2011 of Euro/Dollar 1/1.3.

⁷ Using the ECB exchange rate as at 31 December 2011 of Euro/UK Sterling of 1/0.835.

million.⁸ For the same period, Travel Channel International generated approximately €[...] in the State.

Rationale for the Proposed Acquisition

10. The parties state in the notification that "the combination of the respective content, programming and marketing expertise of the parties will allow for the enhancement of a "multi-platform" lifestyle, entertainment and factual category leader providing Scripps Networks a new vehicle to monetize and promote their lifestyle content."

Third Party Submissions

11. No submission was received.

Analysis

12. There is horizontal overlap in the activities of Scripps and Travel Channel International as both are active in the broadcasting of non-premium television channels in the State. Currently, Scripps's Food Network UK channel and its UKTV channels are available mainly to pay-tv subscribers in the State through Sky and UPC.⁹ The Food Network UK channel is also available to viewers via free-to-air satellite in the State. While Scripps has an advertising agreement with Sky in relation to the sale of advertising space on its Food Network UK channel, it has not sold any airtime to customers in Ireland. There is currently no advertising targeted specifically at an audience in the State.
13. Given Scripps's success in taking its offerings in "lifestyle programming" global, it seems likely that, but for this transaction, it would only have been a matter of time before Scripps brought its highly successful Travel Channel to Europe, including to the State. The Authority does not have concrete evidence of such a plan, but such an eventuality is certainly plausible. Thus, without this transaction, it might not have been too long before Scripps's Travel Channel and Travel Channel International were competing with each other in Europe, including in the State. The proposed transaction means that that will not happen, and the two networks will almost certainly be combined into one.
14. After careful consideration, the Authority has concluded that this probable loss of potential competition nonetheless does not mean that the transaction will substantially lessen competition. The Authority has reached this decision even though it recognizes that recent developments in the market mean that data must be viewed with caution, and even though it recognizes that Scripps appears to view itself as competing in multi-media "lifestyle programming" or arguably could be seen as competing in multi-media travel programming. The Authority contacted two cable operators active in the State who carry the Travel Channel International¹⁰, and neither expressed any concern about the proposed transaction. The Authority also contacted a third cable operator active in the State who does not carry the Travel

⁸ Using the ECB exchange rate as at 31 December 2011 of Euro/UK Sterling of 1/0.835.

⁹ Scripps' Food Network channel became available on UPC in September 2011.

¹⁰ One of these two cable operators also carries Scripps' Food Network channel.

Channel International¹¹ and it also expressed no concerns about the proposed transaction. In addition, the Authority notes the following:

- Scripps has one television channel broadcast in the State which has an estimated audience share of less than [0-10]%.¹²
- UKTV does not track its audience share in the State but the combined audience share of its channels in the United Kingdom is [0-10]%.¹³
- The Travel Channel International does not track its audience share in the State but its audience share in the United Kingdom is less than [0-10]%.¹⁴
- None of the channels of Scripps, UKTV or the Travel Channel International carry advertising targeted specifically at an Irish audience.
- [...]

Ancillary Restraint

15. As part of the proposed transaction, the parties have entered into a number of restrictive obligations as contained in Clause 11 of the Share Purchase Agreement. None of these obligations exceed two years in duration. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

¹¹ This cable operator, however, does carry Scripps's Food Network channel.

¹² This audience share estimate was provided by the parties and is based on the percentage share of viewing by platform.

¹³ This audience share estimate was provided by the parties.

¹⁴ This audience share estimate was provided by the parties.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed transaction whereby Southbank Media Limited, a wholly owned subsidiary of Scripps Networks Interactive Inc, will acquire sole control of Travel Channel International Ltd will not be to substantially lessen competition in markets for goods or services in the State, and, accordingly, that the acquisition may be put into effect, subject to section 23(9)(a) of the Act.

For the Competition Authority

Stephen Calkins

Member of the Competition Authority

Director, Mergers Division