



DETERMINATION OF MERGER NOTIFICATION M/14/018 - Sony / Step Topco (CSC Media)

Section 21 of the Competition Act 2002

Proposed acquisition by Sony Corporate Services Europe Limited of Step Topco Limited, the holding company of CSC Media Group Limited

Dated 28 July 2014

Introduction

1. On 1 July 2014, in accordance with section 18(1)(b) of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received notification of a proposed transaction whereby Sony Corporate Services Europe Limited ("Sony Europe") would acquire Step Topco Limited, the holding company of CSC Media Group Limited (together "CSC Media").
2. On 2 July 2014, pursuant to section 23(1) of the Act, the Authority forwarded a copy of the notification to the Minister for Jobs, Enterprise and Innovation and published notice of the notification on its website, indicating that the proposed transaction was a "media merger".

The Undertakings Involved

The Acquirer

3. Sony Corporation is the parent of the Sony group of companies, headquartered in Tokyo, Japan and operates in several segments worldwide, including electronics, electronic games and game consoles, entertainment services and financial services.
4. Sony Europe, incorporated in the United Kingdom, is a wholly-owned and controlled indirect subsidiary of Sony Corporation¹ which currently has eight (8) television channels available on the island of Ireland (with an additional four channels on a one hour time-delay / time-shift):
 - i. Sony Entertainment Television (Sony Entertainment Television +1)
 - ii. More>Movies (More>Movies +1)
 - iii. Sony Movie Channel (Sony Movie Channel +1)
 - iv. Movies4Men (Movies4Men +1)
 - v. Sony Entertainment Television Asia
 - vi. Sony Max
 - vii. Sony SAB
 - viii. NOW Music

¹ [...].

5. As at 31 March 2014, the Sony Group of companies had a consolidated worldwide turnover of €59.9 billion of which approximately €[...] was generated within the State.

The Target Group

6. Step Topco Limited is the parent of the Step group of companies² and ultimately CSC Media, a UK based media company.
7. CSC Media operates 16 advertiser supported television channels across multiple genres (with an additional three channels on a one hour time-delay/time-shift and one advertising-free movie channel in Sub-Saharan Africa).
8. As such, CSC Media has the following television channels available on the island of Ireland:
 - i. True Movies 1³
 - ii. True Movies 2
 - iii. True Drama
 - iv. True Entertainment (True Entertainment +1)
 - v. Chartshow
 - vi. The Vault
 - vii. Scuzz
 - viii. Starz TV
 - ix. Chartshow Dance
 - x. Flava
 - xi. Bliss
 - xii. Pop (Pop +1)
 - xiii. Tiny Pop (Tiny Pop +1)
 - xiv. PopGirl
 - xv. Kix
9. CSC Media also operates certain websites which are complementary to its stable of television channels. These websites are available to internet users in the State via the World Wide Web.
10. CSC Media's total (group-wide) worldwide turnover in its most recent financial year ended December 2013 was approximately €[...] (UK £[...]), of which €[...] was generated in the State.

Rationale for the Proposed Transaction

11. The notification states: "*[Sony] believes the Proposed Transaction will help [Sony] grow its television networks business in the competitive UK television channels market and enable it to drive efficiencies. CSC Media's television channel genres are complementary to [Sony]'s existing UK channels, and [Sony] believes the acquisition will therefore enable [Sony] to grow its overall networks business and continue to provide attractive offerings for viewers.*"

² [...]

³ CSC Media also onward licenses its UK, True Movies 1, channel to UPC in the State for re-broadcast across its cable network.

Third Party Submissions

12. No submission was received.

Analysis

13. The proposed transaction involves the supply of television channels to operators and it was notified to the Authority pursuant to Share Sale Agreement ("Agreement") dated 26 June 2014. Both Sony and CSC Media are wholesale suppliers of non-premium content channels and are dependent upon two principal sources of revenue: advertising revenue and licencing fees.
14. Sony's channels are available in the State through the pay-TV operator, British Sky Broadcasting plc ("Sky"). It may also be possible to access certain Sony channels through Freesat (transmitted in Northern Ireland) in the State, as a result of the incidental reception in the State of the signal intended for reception in Northern Ireland.
15. Similarly, CSC Media's channels are available in the State through Sky and Freesat. In addition, CSC Media licences one channel, True Movies 1, to UPC for transmission in the State.⁴
16. CSC Media will be indirectly wholly-owned and controlled by Sony Europe after the proposed transaction.⁵
17. Research⁶ in the UK suggests that in June 2014 the channel groups of Sony and CSC Media had 1.0% or less of total national monthly viewing in the UK, which according to the parties is actually their target audience. Of the 280 channels reported in the UK, Sony's largest share of viewing for the month of June was for its *more>movies* channel (0.39%) and CSC Media's was for its *True Entertainment* channel (0.43%).
18. Research in Ireland⁷, based on individual viewing numbers, suggests that in 2013, more than 65% of national viewing were held by seven groups, being the principal RTÉ channels⁸ (27.7%), TV3 & 3e (13%), Sky Media (11.9%), the BBC channels⁹ (5.8%), UTV (2.8%), Channel 4 channels (2.3%) and TG4 (1.9%). The category 'other channels', in which the Sony and CSC Media channels fall, held a combined share of 32.5% of national viewing in 2013. The top ten channels in the 'other channels' category, set out in Table 1 below, held among them a combined share of 6.18% of national viewing. None of the channels of either Sony or CSC Media featured in the top ten list.

⁴ The Parties note that [...].

⁵ Once the proposed transaction is completed, it is proposed in the Agreement that Sony Europe will transfer CSC Media to [another Sony group entity]. In terms of section 16(6)(b) of the Act, this inter group transfer will not constitute a merger or acquisition for the purposes of the Act, as all of the undertakings involved are directly or indirectly under the control of the same undertaking, Sony Corporation.

⁶ Broadcasters' Audience Research Board (BARB), http://www.barb.co.uk/whats-new/monthly-viewing-by-channel-group?_s=4

⁷ AGB Nielsen, TV Consumption Report 2013, <http://www.agbnielsen.com/Uploads/Ireland/TVCONSUMPTIONREPORT2013.pdf>

⁸ RTÉ 1, RTÉ 2 and RTÉ 1 +1.

⁹ BBC1 and BBC2.

Top Ten Other Channels 2013

Number	Channel	Share %
1	Film 4	0.89
2	ITV2	0.83
3	Disney Junior	0.72
4	ITV3	0.70
5	Disney Channel	0.54
6	Cbeebies	0.53
7	Channel 5	0.53
8	RTÉ News Now	0.50
9	RTÉ Junior	0.50
10	Film 4 +1	0.44
Total		6.18%

Source: AGB Nielsen – The TV Consumption Report 2013 (Top Ten Other Channels 2013)

19. In light of the above, the Authority considers that the proposed acquisition will not raise any substantial competition concerns in the State.

Ancillary Restraints

20. The Agreement contains covenants restricting certain listed individuals from carrying on business with, assisting in or consulting [...] following completion of the transaction.
21. The relevant individuals are also restricted from soliciting the custom of any existing customer or supplier and/or offering employment to any existing employee, for a period of [...] following completion of the transaction.
22. The parties state that the covenants are necessary in order to protect the value of customer loyalty, goodwill and know-how transferred in the proposed transaction.
23. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

Determination

24. 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 acquisition by Sony Corporate Services Europe Limited of sole control of Step Topco Limited, which is the holding company of CSC Media Group Limited, will not be to substantially lessen competition in any market 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**