



DETERMINATION OF MERGER NOTIFICATION M/07/047 - LGIV/City Channel

Section 21 of the Competition Act 2002

Proposed acquisition by Liberty Global Inc. of City Channel Limited

Dated 12/09/2007

Introduction

1. On 22 August 2007 the Competition Authority (the "Authority"), in accordance with section 18(1)(b) of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposed acquisition by LGI Ventures BV ("LGIV"), a wholly owned subsidiary of Liberty Global Inc. ("Liberty Global"), of a minority interest in City Channel Limited ("City Channel").
2. The Authority, in accordance with section 23(1) of the Act, forwarded a copy of the notification to the Minister and notified the undertakings involved that it considers the acquisition to be a media merger.

The Proposed Transaction

3. Pre-transaction, David Harvey owns a [...] per cent shareholding in City Channel, with [...] other individual shareholders holding the remaining [...] per cent (the shareholding of each of these shareholders is less than [...] per cent). Pursuant to the proposed transaction, LGIV will acquire [...] shares in City Channel from existing investors and purchase [...] new shares from City Channel, resulting in LGIV acquiring a minority shareholding of [...] % in City Channel.
4. Post-transaction, LGIV will be [in a position to exercise control over City Channel].

The Undertakings Involved

The Acquirer

5. Liberty Global is a Delaware Corporation listed on the NASDAQ. LGIV, which is a wholly owned subsidiary of Liberty Global, is an investment portfolio operated by Chellomedia consisting of both content and platform investments. Apart from John C. Malone (the Chairman of Liberty Global) who owns [...] % of the voting stock, only two other shareholders own more than 5 per cent of the voting stock of Liberty Global: (i) Janus Capital Management LLC, which owns [...] per cent; and (ii) Orbis Investment Management Limited & Orbis Asset Management Limited, which owns [...] per cent.
6. Liberty Global is a leading international communications and media operator, with operations focused in two principal sectors: (i) the operation of communications networks (primarily cable television

businesses) offering retail television, telephony and internet services (via its UPC Broadband division in Europe); and (ii) the provision and distribution of television channels and content (via its Chellomedia division in Europe).

7. Following the proposed transaction, LGIV will hold [...] per cent of the issued share capital of City Channel.

The Target

8. City Channel is involved in the production and supply of television programming in the Republic of Ireland. City Channel holds three separate ten-year licences from the Broadcasting Commission of Ireland ("BCI")¹ to provide cable/MMDS television content in three specific franchise areas: (i) Dublin City and County (since 5 July 2005); (ii) Galway City and County (since 25 September 2006); and (iii) Waterford and South East Region (since 25 September 2006). City Channel's operations are limited to transmissions on the digital platform in Dublin City and County, and on analogue and digital platforms in the Waterford and Galway regions.

Analysis

9. City Channel is involved in the supply of a niche television service and is licensed to supply such service only via MMDS and cable, and only in specific areas in Ireland (i.e., Dublin, Waterford and Galway). City Channel's service is specifically tailored to serve local interests of the residents within the areas it serves. The service includes "lifestyle subjects" such as motoring, property, local Government, local culture, what's-on guides, shopping and travel, as well as transport and weather updates.
10. Given its size and focus, there is limited information available on City Channel's audience or other market share. Since the channel is only available on the digital platform in Dublin City and County, and on analogue and digital platforms in the Waterford and Galway regions, the parties estimate that City Channel's audience share across the State is less than 1 per cent.²
11. Liberty Global, on the other hand, is - via its UPC Ireland division (which comprises the networks of NTL Ireland and Chorus Communications Ltd) - primarily involved in the provision of cable services in Ireland. As regards content provision, Liberty Global's Irish activities are limited to the following:
 - (a) via its Zonemedia business (part of Liberty Global's Chellomedia division), Liberty Global has a contract with Sky in the United Kingdom for the carriage of four Zonemedia channels (*Zone Reality*, *Zone Horror*, *Zone Thriller* and the *Extreme Sports Channel*) on the Sky platform. These channels are also available in the Republic of Ireland on the Sky platform. The value of the contract between Zonemedia and Sky covering the transmission of the four Zonemedia

¹ The BCI is responsible for licensing independent radio and television stations pursuant to the Radio and Television Act 1988 and Broadcasting Act, 2001. The BCI sets out the nature of the service to be provided and the geographic area within which that service will be provided.

² This figure is taken from unaudited audience share figures for the period 1 July 2007 to 31 July 2007 prepared by AGB Nielsen Media Research.

channels in the United Kingdom and in the Republic of Ireland is less than €[...]; and,

- (b) UPC Ireland broadcasts Zonemedia's *Extreme Sports Channel* and *Zone Reality* as part of its digital package to NTL customers. The parties estimate that the internal group transfer value of the contract is €[...]. In addition, Zonemedia channels are broadcast on a few other very small cable and IP platforms in the State generating revenues of €[...].
12. None of these special-interest channels can be considered to compete, either directly or indirectly, with City Channel. Furthermore, even if they were considered to be directly competing, the viewing figures of the Liberty Global channels and City Channel are not significant enough to give rise to any competition concern regarding horizontal overlap. As stated in paragraph 10 above, the parties estimate that City Channel's audience share is less than 1 per cent.
 13. City Channel is licensed to broadcast only via cable/MMDS and only in specific areas in Ireland. As discussed, the primary provider of cable services in Ireland is Liberty Global, via UPC Ireland. City Channel's business strategy is to focus specifically on providing local interest stories to residents within the discrete areas in which it is licensed to operate. In other words, City Channel's business strategy effectively premises on broadcasting via UPC Ireland's network to local areas (as opposed to other broadcast platforms with national reach, such as satellite). That being the case, the proposed transaction does not raise concerns regarding foreclosure of competing broadcasting platforms.
 14. Given the size and niche focus of the target business and the lack of any material overlap (either horizontal or vertical) between the parties' activities, the Authority considers that the proposed transaction does not raise competition concerns in the State.

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 acquisition by LGI Ventures BV, a wholly owned subsidiary of Liberty Global Inc., of a minority interest in City Channel Limited will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect subject to the provisions of section 23(9)(a).

For the Competition Authority

Dr. Paul K Gorecki
Member of the Competition Authority

