



## **DETERMINATION OF MERGER NOTIFICATION M/06/094 – BSKYB/365 MEDIA**

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### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by British Sky Broadcasting Group plc of 365 Media plc**

**DATED 11/01/07**

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#### **Introduction**

1. On 22 December 2006, the Competition Authority (“the Authority”), in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby British Sky Broadcasting Group plc (“BSkyB”) would acquire the entire issued and to be issued share capital and sole control of 365 Media Group plc (“365”).
2. The Authority forwarded a copy of the notification to the Minister and notified the undertakings involved that it considers the acquisition to be a media merger, in accordance with Section 23(1) of the Act.

#### **The Undertakings Involved**

3. BSkyB, the acquirer, is a publicly-listed United Kingdom company on the London Stock Exchange. It is primarily active in the provision of broadcasting services and products and the sale of television channels in the United Kingdom and in the State.
4. The acquirer operates a digital satellite broadcasting platform known as “Dsat” and is also a retailer of pay-tv channels direct-to-home (“DTH”).
5. In addition to its primary activities as set out above, the acquirer is also active in the provision of remote gambling services under the brands “Sky Bet”, “Sky Bet Vegas” and “Sky Vegas”. Sky Bet offers a fixed-odds sports betting service to which the acquirer acts as a bookmaker. On-line casino services are offered by the acquirer, as are a range of fixed-odds numbers betting games on its DTH platform, through the Sky Vegas games service and interactive television channels. The acquirer also offers editorial services<sup>1</sup> to consumers in the State.
6. For the financial year ended 31 December 2005, the acquirer’s worldwide turnover was approximately €6,169 million of which approximately [...] was achieved from its activities in the State. Specifically, from its gambling and editorial services activities in the State, the acquirer’s turnover, was approximately [...] and [...], respectively<sup>2</sup>.

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<sup>1</sup> Editorial services can be generally understood as comprising the provision of information and information services to all types of media (e.g. newspapers and mobile telephony).

<sup>2</sup> Approximate estimates provided for the financial year ended 30 June 2006.

7. 365, the target, is a publicly listed company on the London Stock Exchange Alternative Investment Market ("AIM"). It was formerly known as ukbetting plc before undergoing re-branding in October 2006.
8. The target is active in the provision of remote gambling services. Its services include fixed-odds sports betting via the telephone and internet and also poker and casino gambling via the internet. In addition, the target provides an odds-checking service and runs several licensed betting offices ("LBOs") in London under the name of 'Campbells'.
9. The target operates several websites including Sport365.com, sortlinglife.com, bettingzone.co.uk, TEAMtalk.com, Oddschecker, Planet Rugby and Planet F1 from which it also derives advertising revenue. The target is also active in the provision of editorial services which it provides on a business-to-business basis.
10. Both the target's gambling and editorial services are offered to consumers in the State.
11. For the financial year ended 31 December 2005, the target's worldwide turnover was approximately [...] <sup>3</sup> of which approximately [...] derived from its activities in the State. Specifically, from its gambling and editorial services activities in the State, the target's turnover was approximately [...] and [...], respectively <sup>4</sup>.

## **Analysis**

12. The activities of the undertakings involved overlap in respect of the provision of remote gambling and editorial services in the State.

### *Remote gambling services*

13. Both the target and the acquirer are active in gambling. The undertakings involved have submitted that gambling includes all types of:
  - gambling;
  - gaming and betting such as traditional gambling where a customer, is present at the LBOs or gaming at a casino; and,
  - remote gambling where the customer places his/her bets from a remote position using the internet, iDTV<sup>5</sup> or telephone.
14. However, the activities of the undertakings involved overlap only in respect of the provision of remote gambling services where the acquirer and the target provide fixed-odds betting. The target also provides poker and casino gambling via the internet.
15. While accurate data on market share and the value of the gambling and/or remote gambling sectors in the State are not available, the undertakings involved have submitted, based on their knowledge of the industry, that their combined share of remote gambling services in the State is less than [...] and that the proposed transaction may lead to an accretion of less than [...] post-merger. In the State, companies providing remote gambling

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<sup>3</sup> The target's worldwide turnover includes betting revenue accounted for on the basis of the value of bets placed, without deducting winnings which were paid out from those bets.

<sup>4</sup> Approximate turnover figures are based on activities from 01 January 2006 to 30 September 2006 and on revised projected revenues for the last quarter of 2006.

<sup>5</sup> Interactive digital television.

services include PaddyPower, Tote, Boyle Sports, BETDAQ and Victor Chandler.

16. New entry into the remote gambling sector is anticipated by the undertakings involved given that barriers to entry are relatively low. According to the undertakings involved, the growth of remote gambling services has resulted from the advances in communications technology from mobile phone technology and increased penetration and use of broadband and internet access, and future technology advances are likely to facilitate entry.
17. The Authority has concluded that the combined gambling activities of the undertakings involved will not, post-merger, give rise to competition concerns given the relatively small combined market share of the undertakings involved post-merger, the dynamic nature of and current growth in the remote gaming sector and the presence of large established gambling service providers competing with the post-merger entity.

#### *Editorial Services*

18. Editorial services comprises the provision of services relating to all forms of information provided to all types of media, including newspapers.
19. The type of services provided to customers requiring editorial services includes services provided by editorial service providers for use on their customers' own websites. Other customers, such as mobile phone companies may, for example, be provided with information services from the undertakings involved to be included as part of the mobile phone company's SMS text messaging service. The type of information that may be provided may include sports news, information and stories from organisations such as the Press Association and Reuters.
20. The editorial services provided by the undertakings involved may be provided as part of a wider package of IT services<sup>6</sup> or on a standalone basis.
21. A limited number of customers in the State are provided with the editorial services of the undertakings involved. In the State, the acquirer provides sports news editorial information to [...]. In the State the target provides editorial services to[...].
22. The undertakings involved have estimated that their combined share of the provision of editorial services in the State is less than [...] with [...] accretion post-merger.
23. In the State, there are many other providers of editorial services such as the Irish Times and Setanta, and, according to the undertakings involved, the two largest providers of editorial services, RTE and Thomas Crosbie Media.
24. The Authority's investigation has concluded that in respect of the provision of editorial services in the State, no competition concerns arise given the relatively small combined share of the post-merger entity's share of editorial services provision in the State and the number of existing large providers of editorial services in the State.

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<sup>6</sup> In such instances, the type of editorial services would include a combination of website design, management or hosting and/or creation of sections of websites of third-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 acquisition by British Sky Broadcasting Group plc of 365 Media Group plc 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) of the Competition Act 2002.

## **For the Competition Authority**

Dr. Paul K. Gorecki  
Member of the Competition Authority