



DETERMINATION OF MERGER NOTIFICATION M/08/021 – TV3/KISH MEDIA

Section 21 of the Competition Act 2002

Proposed acquisition of Kish Media Limited by TV3 Television Network Limited

Dated 18/08/08

Introduction

1. On 25 July 2008 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 proposal whereby TV3 Television Network Limited (“TV3”) would acquire sole control of Kish Media Limited trading as Channel 6 (“Kish Media”).
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

The Acquirer

3. TV3 is ultimately majority owned by Doughty Hanson & Co IV (“Doughty Hanson”)¹. TV3 is licensed by the Broadcasting Commission of Ireland (“BCI”) to provide a free-to-air national commercial television network in the State. Launched in September 1998, it is the only privately owned terrestrial free-to-air national commercial television channel in the State. TV3 provides viewers with a wide range of programming across the entire schedule, including soaps, drama, news and sport.
4. For the year ending 31 December 2007, TV3’s total worldwide turnover was [] million, of which [] million was generated in the State.

The Target

5. Kish Media has two wholly-owned subsidiaries, Channel 6 Broadcasting Limited (“Channel 6”) and Baily Television Limited (“Baily”)². Kish Media, via its wholly owned subsidiary Channel 6, is involved in the production and supply of television programming in the State. Channel 6 holds two

¹ Doughty Hanson is a private equity fund manager that directly or through its subsidiaries organises and administers a number of private equity investment funds (including Doughty Hanson Fund IV) on behalf of institutional and private investors. Doughty Hanson Fund IV holds a minority stake in Setanta Sport Holdings Limited.

² Baily is a dormant company. Baily was incorporated in the United Kingdom, prior to the launch of Channel 6, for the purposes of applying for a UK television broadcast licence from Ofcom. Baily applied for and was granted a UK television broadcast licence by Ofcom. Baily’s Ofcom licence was never used and was surrendered in July 2006.

separate ten-year licences from the BCI to provide: (i) cable/MMDS television content and (ii) satellite television content. Channel 6 is currently available on cable and satellite. It provides a broad format entertainment channel aimed primarily at the 15-35 age group audience. Channel 6's programming includes interactive music, magazine-style, movies, drama and comedy. The service also includes local programming on topical matters exploring various aspects of modern Irish culture including fashion, music and film.

6. For financial year ended 31 December 2007, Kish Media generated turnover in the State of approximately [] million.

Rationale for the Proposed Transaction

7. TV3 submits that it can help grow Channel 6 and thereby increase its value. TV3 also submits that the acquisition of Channel 6 represents an effective route to a multi-channel digital strategy for TV3 with the impending launch of Digital Terrestrial Television (DTT) in Ireland.

Analysis

8. There is horizontal but no vertical overlap in the activities of the parties. TV3 and Channel 6 (as well as Setanta, in which Doughty Hanson has a minority stake) are active in television broadcasting services and the sale of television advertising in the State. Data provided by the parties show that there is minimal overlap between the parties in these activities.

Provision of television broadcasting services

9. As stated earlier, TV3 is licensed by the BCI to provide a free-to-air national commercial television network in the State. TV3 is a "must-carry" obligation on all cable and MMDS systems licensed in the State. In 2007, TV3 had an estimated "all adult" audience share of [10-20] % of the total Irish market for television broadcasting.³
10. Channel 6 is not available to terrestrial audiences. As stated earlier, it is licensed by the BCI to provide: (i) cable/MMDS television content, and (ii) satellite television content. In 2007, Channel 6 had an estimated "all adult" viewing share of [0-5] % of the total Irish market for television broadcasting.⁴ Its share of this market increased to [0-5] % in February 2008.⁵
11. Setanta's main activity involves the broadcasting of televised sporting events. It operates several sports channels in Ireland, the United Kingdom, Europe, Australia and the United States. In 2007, Setanta had an estimated "all adult" viewing share of [0-5] % of the total Irish market for television broadcasting.⁶
12. The proposed acquisition is likely to result in a minimal increase in market share with the merged entity accounting for less than [20] % of the "all adult" viewing share of the total Irish market for television broadcasting.

³ Source: AGB Nielsen Media Research (Share of viewing for All Adults 15+)

⁴ Source: AGB Nielsen Media Research (Share of viewing for All Adults 15+)

⁵ Source: AGB Nielsen Media Research (Share of viewing for All Adults 15+)

⁶ Source: AGB Nielsen Media Research (Share of viewing for All Adults 15+)

13. Furthermore, post-acquisition the merged entity will continue to face competition for viewers from other television broadcasters, for example, RTE, BBC and BSKYB. Additionally, TV3, Channel 6 and Setanta offer different television programming that target different audiences.

Sale of television advertising/sponsorship

14. There is minimal overlap in the parties' activities in respect of the sale of television advertising.
15. Data provided by the parties show that in 2007, the Irish television advertising market grossed [] million. TV3 accounted for [20-30]% of that market while each of Channel 6 and Setanta accounted for [0-5]%. Therefore, the proposed acquisition is likely to result in less than 5% increase in market share.
16. Furthermore, the merged entity will continue to face competition from other television broadcasters that sell television advertising, in particular, RTE which is considered to be the market leader and price-setter for television advertising rate cards.

Conclusion

17. The Authority therefore considers that the proposed transaction does not raise competition concerns in the State given: (i) the minimal overlap in the activities of the parties, and (ii) the position of the remaining competitors to the merged entity.

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 TV3 Television Network Limited of sole control over Kish Media 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