[GB] Authorities Block Bid By BSKYB For Manchester United Football Club

IRIS 1999-6:1/23

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The British minister for Trade and Industry decided in April to block the proposed take-over by broadcaster BSkyB of the leading English football club, Manchester United. This followed a report and advice from the competition authorities, i.e. the Monopolies and Mergers Commission and the Director General of Fair Trading, both stating that the merger would operate against the public interest and therefore should be prohibited.

The major basis for the decision was that the Commission had concluded that the merger would reduce competition for the broadcasting rights to matches in the English Premier League. This would occur because it would bring together the leading pay TV broadcaster, also the only significant provider of sports premium channels, and the biggest and most successful English football club. It would increase BSkyB's market power, in particular by giving it advantages over other broadcasters in negotiations over TV rights and would deter other broadcasters from competing for them. It would also restrict entry into the sports premium channel TV market, which would in turn reduce competition in the wider pay-TV market. The overall effect would be reduced competition for broadcasting rights and so lead to less choice for the Premier league and less scope for innovation in the broadcasting of Premier League football. The Commission also considered that the merger would damage the quality of English football by increasing the inequalities between larger, richer clubs and the smaller, poorer ones and by giving BSkyB additional power over Premier League decisions about the organisation of football.

The Minister decided that no remedy short of a ban would be adequate, especially as the adverse effects of the merger would be very serious. He also referred to the general issue of future mergers involving football clubs, and as a result of his decision in the Manchester United case a bid by NTL, the UK's third largest cable television operator, for Newcastle United, another leading Premier League team, was dropped. A case is currently being heard before the Restrictive Practices Court concerning the question of whether the collective sale of television rights by the Premier League is anti-competitive and should be replaced by individual sales by each club. That will be determined later this year, and until the decision there is considerable uncertainty about the future arrangements for sports rights negotiations. The BSkyB and Manchester United decision suggests that the competition authorities and government will adopt a tough attitude in protecting

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competition in this field.

Stephen Byers Blocks BSKYB/Manchester United Merger, Department of Trade and Industry Press Release P/99/309, 9 April 1999.

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