[GB] Competition Authorities Require Restrictions on Advertising Contracts to Continue

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The UK Competition Commission, the country's main competition authority, has decided that the Contract Rights Renewal (CRR) undertakings required of ITV1, the largest commercial broadcaster, are to continue.

The undertakings were imposed by the Competition Commission and the Secretary of State after the merger of Carlton and Granada in 2003 to create a single ITV plc. They reflected concerns about the effect of the enhanced market position of the new company on competition in the sale of television advertising airtime. The undertakings allow buyers of advertising airtime to roll forward their pre-merger contracts, subject to annual adjustments which reflect the change in ITV1's share of ratings (measured in the form of its share of commercial impacts). Disputes relating to the undertakings are determined by an Adjudicator, who also reports on compliance with them.

After an investigation, the Competition Commission determined that ITV1 retains the unique ability to deliver audiences of up to 18 million at a time and, in 2009, accounted for 982 of the top 1,000 most-watched programmes on commercial television. Indeed, its relative position of strength compared with other commercial broadcasters is little changed since 2003. New competition from the Internet and many new digital channels cannot yet replicate ITV's ability to deliver large television audiences. Moreover, most advertising is bought through a small number of media agencies, which cannot credibly withdraw expenditure from ITV1 if they are to serve their clients' needs.

ITV had also overstated the effect of the undertakings which do not prevent it from producing good-quality programmes. The majority of media agencies have in fact negotiated to some extent with ITV rather than simply falling back on the terms of earlier deals. ITV's suggested alternatives would not be effective in preventing the broadcaster from offering worse deals to advertisers.

However, the Competition Commission decided that the definition of ITV1 in the undertakings should be widened to include any future ITV1+1 channel and the recently launched ITV1 high-definition channel so that impacts from them are included in the CRR calculation.

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CC Publishes Final Decision on CRR, Competition Commission Press Release 18/10, 12 May 2010

http://www.competition-commission.org.uk/press_rel/2010/may/ITV_CRR_press_release_final_report.pdf

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