

[ES] Telecinco and Cuatro's Merger Approved

IRIS 2011-1:1/25

*Pedro Letai
IE Law School, Instituto de Empresa, Madrid*

At its meeting on 28 October 2010, the Spanish National Competition Commission (CNC) approved the merger between TV channels Telecinco and Cuatro subject to the commitments given by Mediaset's channel last 19 October 2010 by stating that they have addressed the competition concerns identified.

On 28 April 2010 Telecinco had reported to the CNC its planned acquisition of Cuatro. This concentration had been previously subject to a referral by the European Commission, which considered that the CNC was the authority best placed to carry out the analysis.

The CNC Council decided on 30 June 2010 to move the operation to the so-called second stage of the procedure, after finding that taking control of Cuatro by Telecinco brought forth the following problems for competition:

- In the television advertising market, given the total audience which Telecinco will manage after the merger, if the advertising on these channels were to be jointly marketed, such advertising could become essential for advertisers;
- The acquisition of audiovisual content will strengthen the bargaining power of the merged entity as concerns the purchase of such content, which affects both Telecinco's competitors in the market for free TV and smaller content providers.

On 24 September 2010, Telecinco submitted an initial proposal of commitments to address the competition concerns identified, which was considered insufficient. Telecinco subsequently submitted new undertakings on 19 October 2010. These have been deemed appropriate by the CNC. As usual in this procedure, the CNC has consulted with competitors and stakeholders in order to obtain their views about the adequacy of the commitments laid out in the first instance by Telecinco. All these contributions have been evaluated, while others were also taken into account by the CNC.

The board of the CNC amended these conditions after consultation with and with regard to the opinion of competitors and stakeholders. The initial term of commitment is three years, extendable for another two.

As concerns the advertising market, Telecinco agrees not to sell in the same commercial package of the two open channels with a wider audience, with the

additional condition that the joint audience of the channels included in a commercial package will not exceed 22%. Nor can it develop policies tying the various packages.

Furthermore, Telecinco did not extend its offer of free TV channels by leasing third DTT operators. Telecinco has also agreed not to block the quality improvements that its competitors may want to launch, especially La Sexta, with which it will share many DTT channels until 2015.

Telecinco accepts the conditions to counter its power as an audiovisual content consumer limiting to three years the duration of contracts for the purchase of exclusive content, such as films and series, ensuring that these will periodically be on the market. It has also limited to five years the period of exclusive exploitation of a film. The channel is also committed to restricting its ability to exclude national television producers as suppliers of programmes to open competitors.

CNC Press Release

<http://www.cncompetencia.es/Inicio/Noticias/tabid/105/Default.aspx?Contentid=281957&Pag=1>

