European Commission: News Corporation Bid for BSkyB Cleared on Competition Grounds

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In June 2010 News Corporation offered to purchase the remaining 60.9% of shares which it did not already own in BSkyB, the leading British and Irish pay-TV operator. This bid has been considered on competition grounds by the European Commission and on public interest grounds relating to media plurality by the UK authorities.

The European Commission cleared the proposed acquisition on competition grounds. It found that it would result in only a small increment on BSkyB's existing share of the market for the supply of basic pay-TV channels and that the parties have only a small combined market share in online and TV advertising. Therefore it did not give rise to horizontal competition concerns. The Commission found that News Corp lacks sufficient market power to prevent access by BSkyB's competitors to premium movie content and that there would continue to be incentives for the wholesale supply of premium movie content and basic pay-TV channels to BSkyB by its competitors. The merged company would not be able to foreclose competing newspaper publishers by bundling pay-TV and newspaper subscriptions given the low subscription rates for newspapers in the UK. There were also sufficient alternative opportunities for advertising by BSkyB's competitors.

The public interest examination on plurality grounds was to involve a decision by the UK Secretary of State for Business, Innovation and Skills, after receiving the advice of the Office of Communications as to whether or not to refer the bid to the Competition Commission. This question has proved highly controversial given the fact that News Corporation owns four national newspapers in the UK. The Business Secretary, however, was secretly taped by journalists as stating that "I have declared war on Mr Murdoch and I think we are going to win"; Rupert Murdoch controls News Corporation. The newspaper employing the journalists, being a rival of the Murdoch press and so opposed to the bid, did not print the story; however the remarks were leaked to the BBC. As a result, responsibility for competition and policy issues relating to media, broadcasting, digital and telecoms sectors were transferred immediately by the Prime Minister to the Secretary of State for Culture, Media and Sport. He will take a decision early in 2011 on whether to refer the bid to the Competition Commission.

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European Commission, "Mergers: Commission clears News Corp's proposed acquisition of BSkyB under EU merger rules", IP/10/1767, 21 December 2010

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