



News Release

20/06

30 March 2006

CC PROVISIONALLY CLEARS WATERSTONE'S/OTTAKAR'S MERGER

The Competition Commission (CC) has provisionally cleared the anticipated acquisition of Ottakar's plc by HMV Group plc through Waterstone's Booksellers Ltd, after concluding that the merger would not lead to a substantial lessening of competition in the market for the retail sale of new books to consumers in any part of the UK.

Chairman of the inquiry group, Diana Guy, said:

We have looked at all the evidence submitted to us very carefully and we do not believe this acquisition would result in a substantial lessening of competition. It is not likely to affect book prices, range of titles offered or quality of service.

In the few locations where Waterstone's and Ottakar's stores are close together, we found the range of books and quality of service were similar to their stores located in other areas. So the effect of competition between Waterstone's and Ottakar's at the local level seems limited.

Throughout the country there is growing competition from supermarkets and Internet retailers in terms of both price and range, so the merged company would have little ability to raise prices either on best-sellers or other titles. It would have every incentive to offer an extensive range of titles and high-quality service in its stores, as these features give the merging parties a competitive advantage over supermarkets and other non specialist retailers.

We found that, contrary to widespread perception, Waterstone's, like Ottakar's, operates a book-buying system which mixes central and local input on stock selection. Although the merger may reduce the number of central buying decision-makers, we do not believe this will have a significant impact on the range and variety of titles available to readers.

Despite the substantial changes in the industry following the abolition of the Net Book Agreement, with new types of retailers entering the market and increased concentration in publishing, sales have continued to grow. We do not see any reason why the merger would change this or reduce the number of titles published.

We received a great deal of evidence in this inquiry which is published on our website. Many comments concerned a possible loss of quality, diversity and innovation. We explored whether the merger would affect these through a loss of rivalry between Waterstone's and Ottakar's and concluded that it did not.

The merger was referred by the Office of Fair Trading (OFT) on 6 December 2005 and the CC is required to publish its final report by 22 May 2006. HMV's offer for Ottakar's lapsed upon referral to the CC.

Comments on the CC's provisional findings, a summary of which is published today at www.competition-commission.org.uk/inquiries/ref2005/hmv/index.htm, are now invited from interested parties and should be made in writing by **19 April 2006** to:

Alan Shearman
Inquiry Secretary (HMV/Ottakar's merger inquiry)
Competition Commission
Victoria House
Southampton Row
LONDON
WC1B 4AD

Or email: alan.shearman@cc.gsi.gov.uk.

The full provisional findings report will be published shortly.

Notes to editors

1. The Enterprise Act 2002 empowers the OFT to refer to the CC completed or proposed mergers for investigation and report which create or enhance a 25 per cent share of supply in the UK (or a substantial part thereof) or where the UK turnover associated with the enterprise being acquired is over £70 million.
2. The HMV/Ottakar's inquiry group consists of five members: Diana Guy (Group Chairman), Jayne Almond, Diane Coyle, Nicholas Garthwaite and Charles Henderson.
3. The CC has a 24-week period in which it is required to publish its report, which may be extended by no more than eight weeks if it considers that there are special reasons why the report cannot be published within that period.
3. Further information on the CC and its procedures, including its policy on the provision of information and the disclosure of evidence, can be obtained from its website at: www.competition-commission.org.uk.
4. Media enquiries should be directed to Rory Taylor on 020 7271 0242 (email: rory.taylor@cc.gsi.gov.uk).