

The reference and background

1. On 11 March 2003 the Department of Trade and Industry sent the CC the following reference:

Whereas it appears to the Secretary of State that it is or may be the fact that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a merger situation qualifying for investigation, as defined in section 64(8) of the Fair Trading Act 1973 ('the Act'), in that:

- (a) enterprises carried on by or under the control of Granada plc (at least one of which is carried on in the United Kingdom) will cease to be distinct from enterprises carried on by or under the control of Carlton Communications plc; and
- (b) the value of the assets to be taken over exceeds £70 million.

Now, therefore, the Secretary of State, in exercise of her powers under sections 64, 69(2) and 75 of the Act, hereby refers to the Competition Commission ('the Commission'), for investigation and report within a period ending on 25 June 2003, the following questions:

- (i) whether arrangements are in progress, or in contemplation as described in paragraph (a) above, which, if carried into effect, will result in the creation of a merger situation qualifying for investigation;
- (ii) if events so require, whether the actual results of those arrangements are the creation of such a situation; and
- (iii) if so, in either case, whether the creation of that situation may be expected to operate or (if events so require) operates against the public interest.

In relation to the questions in paragraphs (i) and (ii) above the Commission shall exclude from consideration one of paragraphs (a) and (b) of section 64(1) of the Act if they find the other satisfied.

11 March 2003

(signed) PAT SELLERS
An official of the Department
of Trade and Industry

2. On 17 June 2003 the Secretary of State announced that the reporting period for the inquiry had been extended to 26 August 2003.

3. The composition of the Group of members responsible for the present investigation and report is indicated in the list of members in the preface.

4. Notices inviting interested parties to submit evidence to the CC were placed in *The Guardian*, *Broadcast* and *Marketing*.

5. In addition, we sought evidence from broadcasters, advertisers, media buyers, production companies, regulatory and governmental bodies, local authorities and chambers of commerce, trades unions, consumer groups, independent experts and other interested parties. Written evidence was received from more than 200 parties and we also held a total of 25 hearings with selected parties: The ISBA and the IPA each attended three hearings; the ITC, Ofcom, BSkyB, Channel 4, Channel 5, SMG and UKTV-FTV each attended two hearings; and P&G, the NUJ, PACT, Billets and a group of independent experts each attended one hearing. The evidence we received from third parties is summarized in Chapter 7 and in other parts of our report.

6. We received written evidence from Carlton and Granada, both jointly and separately; we also held two joint hearings and two separate hearings with each company.

7. On 29 April 2003 we sent an Issues Letter to Granada and Carlton, followed by a Remedies Letter, on 16 May; in addition, we published on the CC web site an Issues Statement, on 30 April, followed by two Remedies Statements, on 19 May and 17 June.

8. Members of the Group, accompanied by staff, visited the ITV Network Centre, London offices of Carlton and Granada, and LWT.

9. Some of the evidence submitted to us during the course of the inquiry was of a commercially confidential nature: our report contains only such information as we consider necessary for a proper understanding of our conclusions.

10. We should like to thank all those who assisted in our inquiry.