

**PROPOSED ACQUISITION BY NEWS CORPORATION OF UP TO 60.9 PER CENT OF
BRITISH SKY BROADCASTING GROUP PLC**

Response to OFT/Ofcom questions of 29 March 2011

I. Introduction

- 1.1 This submission is made on behalf of News Corporation (News) in response to the OFT/Ofcom questions of 29 March 2011.
- 1.2 As a preliminary point News wishes to stress that as the OFT and Ofcom are aware, under the Carriage Agreement, News (through Sky, if it acquires Sky) commits to pay a considerable sum of money to Newco in return for the continued production and delivery of a Sky News branded news service. The Newco business plan submitted to the OFT on 3 February 2011 (the Business Plan) took into account predicted revenues under the Carriage Agreement of £ [REDACTED] in the first year.
- 1.3 News is prepared to commit to these payments in order to ensure that a high quality independent news service continues to be made available to its viewers in the UK under the Sky News brand. Sky News would also continue to be available through a number of other platforms. The continued availability of this news service will ensure that the Secretary of State can be confident that the proposed acquisition of Sky does not reduce the level of plurality of views in the UK.
- 1.4 The Carriage Agreement contains a number of provisions aimed at ensuring that the considerable sums paid by News to Newco are used essentially for the production of this high quality news service under the Sky News brand. Reasonable restrictions are placed on Newco which would prevent it from (for example) using the same broadcast news content, replacing the Sky News logo with a "X" logo and marketing a "X News" news channel with exactly or substantially the same content and minimal additional investment. Such a move would add nothing to media plurality in the UK but it would significantly reduce the value to Sky of the Sky News service. This would not be in the interest of News or Sky but it would not be in the public interest either under the relevant public interest consideration.
- 1.5 Newco remains free to develop additional non Sky News-branded competing news services and those services would potentially add to media plurality in the UK.
- 1.6 The OFT has already expressed a view on Newco's financial viability. It is undisputable that the terms of the Carriage Agreement provide a unique long term financial stability to Newco. The proposed terms of the Carriage Agreement and the Brand Licensing Agreement are designed to ensure that, within the long duration of the contractual terms, both parties have the appropriate protections and financial incentives to continue investing in the development of the high quality service currently provided by Sky News and in protecting the valuable "Sky News" brand.
- 1.7 The numbering in the remainder of this response below corresponds to the numbering used in the OFT/Ofcom questions of 29 March 2011.



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Comprising 16 pages

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Comprising 1 page

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