

Proposed acquisition by Peel Acquisitions (Pegasus) Limited of
Pinewood Shepperton plc

ME/4993/11

The OFT's decision on reference under section 33(1) given on 21 June 2011.
Full text of decision published 7 July 2011.

Please note that the square brackets indicate figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

PARTIES

1. **Peel Acquisitions (Pegasus) Limited** is a newly incorporated company which is wholly owned by the Peel Group (Peel). Peel owns MediaCityUK (MCUK), marketed as a bespoke community for the media industry in Salford Quays, which comprises a purpose-built television studio block, commercial office space, apartments, leisure facilities and a hotel amongst other things. MCUK's studios opened in January 2011. Also on the MCUK campus is The Pie Factory, a former bakery manufacturing plant which has been converted into three sound stages and has been used since 2007 for making television programmes and commercials. The studio facilities are operated by Media City Studios Limited (MCS), a 50/50 joint venture between SIS, an independent third party, and Peel.
2. **Pinewood Shepperton plc** (Pinewood) is a leading provider of services to the film and television industries in the UK and abroad. It is located at three sites in the south of England and comprises Pinewood Studios, Shepperton Studios and Teddington Studios. Pinewood Studios and Shepperton Studios offer film facilities used by international producers and are globally renowned. Pinewood Studios and Teddington Studios also offer dedicated television studio facilities for the UK television industry. Pinewood is listed on the London Stock Exchange. Peel currently holds a 29.78 per cent stake in Pinewood. For the year ended 31 December 2010, Pinewood's UK turnover was £42.8 million.

TRANSACTION

3. Peel proposes to acquire the entire issued, and to be issued, share capital of Pinewood for approximately £96.1 million at a share price of 200 pence per share. The proposed transaction will be effected by way of a recommended takeover offer, subjected to the City Code on Takeovers and Mergers.
4. The parties notified the merger to the OFT on 9 May 2011 by submitting a statutory Merger Notice. The extended statutory deadline for the OFT's decision in this case is 21 June 2011.
5. No filings have been made in any other jurisdiction.

JURISDICTION

6. The proposed transaction will result in Peel acquiring a controlling interest in Pinewood. To the extent that Peel may already have material influence in Pinewood as a result of its existing shareholding, the proposed transaction will result in an increase in the level of control, such as to lead to Peel and Pinewood ceasing to be distinct enterprises for the purposes of section 26 of the Enterprise Act 2002 (the Act).¹

Turnover test

7. The UK turnover of Pinewood in its last financial year was £42.8 million and so the turnover threshold under section 23(1)(b) of the Act is not met.

Share of supply test

8. The parties argue that the merger does not qualify for review by the OFT on the basis that the share of supply test is not met on any meaningful basis. For example, they estimated that the combined share of supply for television studio capacity on a national basis would be [20-30] per cent (increment of [five-15] per cent), and approximately the same on a regional basis (but with no increment since Pinewood is active in the London area and MCK is based in the North West).

¹ See section 26(4)(a) of the Act.

9. The OFT's Guidance² highlights the wide discretion given to the OFT under the Act in describing the relevant goods or services for the purposes of applying the share of supply test. In particular, the share of supply test should not be regarded as a market share test of the type used in the OFT's substantive assessment, such that the group of goods or services to which the jurisdictional test is applied need not amount to a relevant economic market. Rather, the OFT will have regard to any reasonable description of a set of goods or services to determine whether the test is met.³
10. From the data provided by the parties, the OFT observes that the BBC and ITV are estimated to have the largest shares of supply for television studio capacity in the UK with [30-40] per cent and [10-20] per cent shares respectively. The OFT notes, however, that the BBC and ITV are not independent television studio providers in that the majority of their studio capacity is occupied for internal use by their respective production arms. Both the BBC and ITV confirmed this with the OFT.
11. For the purposes of the share of supply test, the OFT considers that a reasonable description of services in this case is the supply of television studio capacity by independent studio providers in the UK. On this basis, the parties' combined shares of supply in the UK exceeds 25 per cent, so the proposed transaction qualifies for review under the Act.⁴

MARKET DEFINITION

Product market

12. The parties submitted that the relevant product markets in which the parties' activities overlap are:
 - i) the supply of studio facilities for the production of television programmes (and associated facilities/services), and

² OFT Mergers - Jurisdictional and procedural guidance (OFT527), June 2009.

³ OFT Guidance, paragraph 3.55.

⁴ Even though the BBC's and ITV's studio capacities are available to independent television producers, the OFT notes that in the last financial year, 75 per cent of the BBC's and 60 per cent of ITV's respective revenues for studio usage were generated internally. []. Were the OFT to exclude internal supply capacity, the parties' combined share of supply of externally-traded capacity would be substantially higher (approximately [25-35] per cent) than the shares discussed in paragraph 8, and so the share of supply test would also be met on this alternative basis.

ii) the supply of television post-production facilities/services.

13. Given that certain facilities may also be used for film production, the OFT additionally considers the supply of studios for film production in its competitive assessment. Although MCIUK is not currently active in this segment, the OFT takes into account potential competition considerations in its analysis.

The supply of studio facilities for television production

14. The principal area of overlap between the parties is in the supply of television studio facilities, which are used by television production companies for recording programme content (with or without a studio audience). For both parties, these include both 'fully-equipped' studios which include a smooth floor, lighting rigs and a producer's control gallery, and 'partially equipped' studios which may not include full lighting rigs or control galleries.

15. The parties submitted that the relevant market is the supply of studio facilities for the production of television programmes, and that this should include not only both types of studios described above, but also 'four wall' studios or stages (indoor empty spaces, which tend to be used primarily for the production of films and television drama) and other suitable indoor venues offering considerable space. The parties submitted that additional costs of equipment hire needed to fit out a four wall facility for studio recording would typically be offset by a lower basic hire cost. They provided examples of programmes which had transferred production between these different types of facility over time.

16. The OFT considered the supply of television studio capacity in its decision in *Pinewood/Teddington*.⁵ In that decision, a television studio was described as a studio in which television programmes are recorded, equipped with smooth flooring, producer's gallery/network control room and suitable lighting facilities. The OFT found that four wall studios were a potential substitute for producing some television programmes, but the OFT did not conclude on whether to include them in the product scope in that case.

⁵ ME/1729/05 Completed acquisition of Teddington Studios Limited by Pinewood Shepperton plc.

17. The OFT notes that television studios, as well as differing in terms of equipment levels, are also differentiated by size. Pinewood's TV studios range from 594 sq ft to 8,960 sq ft, and MCS's from 955 sq ft to 12,593 sq ft. The size of studio required will depend on the type of programme being produced. Implications of segmentation by studio size on the parties' respective competitive positions are explored further in the competitive assessment. In this respect, the OFT found some evidence indicating that substitution between television studios and four wall studios (or other venues) may be particularly relevant with respect to TV shows such as *Who Wants to Be a Millionaire?* and *Dancing on Ice*, which require a particularly large studio recording environment.
18. The OFT notes that there may be certain types of programme which would typically require a television studio facility, and that this may be a candidate product market on a cautious basis. In assessing whether a merger involving differentiated products may give rise to a substantial lessening of competition, the OFT may take into account constraints outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others.⁶
19. In this case, the OFT has considered the market on a number of alternative bases, including the provision of (fully- or partially-equipped) television studio capacity segmented by size of venue. It has not considered it necessary to conclude on the precise product scope, but within the spectrum of different venues available for television production, has focused its analysis on the closeness of competition between the parties' venues.

The supply of post-production facilities/services

20. The parties also overlap in television post production facilities and services, which involve picture editing, graphics and sound modifications for programmes.
21. The OFT found in *Pinewood/Teddington* that post-production is relatively fragmented. Moreover, no specific competition issues were identified by third parties with respect to this specific area of overlap. The OFT therefore does not consider this further.

⁶ Merger Assessment Guidelines, paragraph 5.2.2.

Geographic market

22. The parties submitted that the relevant geographic market is at least the UK, but that facilities in London and the south east may face less of a constraint from facilities located in other regions than in the reverse case. Previous OFT decisions have noted that a regional scope may be relevant to competition between TV studios, in particular with respect to studios in the London area.⁷
23. In this case, the acquirer's assets are in the north west of England and the target's are in the south east. Many third parties highlighted that location was an important factor in the choice of studio facilities, and that closest substitutes for Pinewood's studios would typically comprise other suitable facilities in London and the south east.
24. At the same time, the OFT recognises that there have been important structural shifts in the structure of supply of, and demand for, television studio facilities since its *Pinewood/Teddington* decision, in particular the decision of the BBC to locate certain production in MCK, Salford (see further below). Such changes may, going forward, shift the extent to which production capacity outside London and the south east provides a constraint on the merged firm.
25. The OFT leaves open the precise geographic scope of the market in this case. The OFT analyses market shares and concentration with respect to the UK as a whole, but takes into account a more regionalised competitive dynamic when assessing closeness of competition between the parties. It has therefore taken geographical location factors into account in its competitive assessment.

⁷ See for example, ME/1729/05 Completed acquisition of Teddington Studios Limited by Pinewood Shepperton plc, paragraphs 10-11.

COMPETITIVE ASSESSMENT - UNILATERAL EFFECTS

The supply of studio facilities for television programmes

Market shares and post-merger concentration

26. The parties were unable to provide estimated shares of supply by value. Instead, they provided estimated capacity shares for television studio providers in the UK. The OFT notes that such data set out the amount of studio space available for hire, rather than studio space actually used for television production. In this regard, the OFT considers that revenue figures (had they been available) would give a more reliable picture of which studios are in fact being used by television producers. The OFT therefore adopts a degree of caution when looking at estimated market shares in this case.
27. The parties also provided capacity data delineated by size of studio. Based on such data, the OFT notes that Peel's post-merger portfolio would make it the second largest provider in the UK after the BBC:

Table 1: Shares of supply of television studio providers in the UK by capacity

	All TV studios (per cent)	TV studios > 2,000 sq ft (per cent)	TV studios > 5,000 sq ft (per cent)
BBC	[30-40]	[30-40]	[30-40]
Pinewood Shepperton	[10-20]	[10-20]	[10-20]
Media City	[5-15]	[5-15]	[10-20]
Combined	[20-30]	[20-30]	[20-30]
ITV	[10-20]	[10-20]	[10-20]
Maidstone Studios	[0-10]	[0-10]	[0-10]
Fountain Studios	[0-10]	[0-10]	[0-10]
Elstree Film & TV	[0-10]	[0-10]	[0-10]
Riverside Studios	[0-10]	[0-10]	[0-10]
Other ⁸	[10-20]	[10-20]	[0-10]

Source: OFT estimates based on the parties' data

⁸ The OFT is minded to view the list of studio suppliers provided by the parties and grouped by the OFT in this 'Other' category with a degree of scepticism since many of these studios were unknown to third parties and/or could not be identified by the parties as being in use for actual production of television shows.

28. The OFT considers that the market shares may underestimate the parties' post-merger position due to the likely future changes in the market:

- first, the BBC has publicly announced its intention to sell BBC TV Centre, which, according to the parties' data, accounts for half of the BBC's total capacity. It is currently unknown what a would-be purchaser would do with the site, and whether the BBC will either retain some capacity at BBC TV Centre through some form of arrangement, purchase an alternative studio site or rent studios from remaining suppliers for its productions in or around London. However, the OFT considers that it is likely there will be a reduction of capacity resulting from the BBC TV Centre's closure, not least since BBC Children and BBC Sport have already moved to MCUK
- second, the OFT was informed that 3sixtymedia in Manchester (a 90/10 joint venture between the ITV and BBC, accounting for approximately two-fifths of ITV's capacity) is also likely to close in the near future and relocate to MCUK, and
- third, on a cautious basis and where appropriate, the OFT discounts internal supply from market share estimates such that capacity used by ITV and the BBC for their own use should potentially be discounted (approximately 60 per cent and 75 per cent of total capacity, on the basis of their respective revenues).

29. The OFT is therefore of the view that prospective significant changes in the competitive landscape are likely to leave the merged firm with a larger capacity share than that reflected in Table 1 above.

30. In any event, the OFT considers it more probative to assess closeness of competition in this case, which it does below.

Closeness of competition

31. The parties stated that they are not close competitors since: (i) MCUK is a newcomer in the market, and (ii) they compete for customers located close to their respective facilities. In relation to point (ii), they supported this assertion with data showing the extent to which Pinewood had lost bids with respect to light entertainment shows subsequently produced in studios located in the north west region between 2009 and 2011. The data

showed that [] per cent of television shows which Pinewood tendered for were lost to studios located in Manchester or Salford, suggesting limited diversion between Pinewood and the north west region.

32. Many customers supported the parties' contention that location is an important factor when choosing a studio for a specific production. They were of the view that Pinewood typically faces closer competition from providers of television studio facilities in the south east and/or London than from MCK. Others noted the difficulty of moving productions outside of the London area because of the increased expense involved in moving skilled production crews (accommodation costs, per diems etc.), as well as the pushback often received from on-screen talent in not wanting to move far from home, such that MCK would not be considered to be a suitable alternative to Pinewood or one of the other London/south east-based studios.
33. However, a number of third parties told the OFT that MCK and Pinewood could be considered to be close competitors in terms of the range of their studio offering (for example, both have four wall studios and fully-/partially-furnished studios; a range of different sized studios; HD capability etc.). In particular, competitors were concerned about the impact of the proposed transaction on the supply of larger studios for the big television productions, such as those required for Dancing on Ice, X-Factor, or Who Wants to be a Millionaire?. They suggested that the parties would compete for programmes requiring studios of sizes above 5,000 sq ft, or 8,000 sq ft and above, and that the merger would lead to a reduction of competition in this segment.
34. However, a number of third parties noted that for the big television productions requiring large studios, four wall studios are commonly used in addition to large-sized fully/partially-equipped studios. Indeed, notwithstanding the perception of some third parties that they are filmed in large television studios, the parties stated that four wall studios are used for all of the television shows mentioned in the paragraph above. Some customers noted that large venues such as indoor arenas, theatres and stadiums could also be used for the very large shows, such as those used in Britain's Got Talent.
35. As alternatives to the parties' studios, third parties consistently named BBC's TV Centre, ITV's London Studios, Fountain Studios, Elstree Studios,

Maidstone Studios, Riverside Studios, 3 Mills Studios and for alternative studios in the north west, 3sixtymedia in Manchester.

36. Taking the evidence in the round, although the parties' studio facilities for television production may be similar, the OFT believes that the importance of location as identified by third parties distinguishes the parties' offerings such that they are not particularly close competitors. In particular:
- with respect to smaller studios (of size below 5,000 sq ft), no customer concerns were raised. Even if it is the case that fully- or partially-equipped television studios are principally used for such productions, which is not clear, customers in any event suggested that a large number of alternative providers to the merging parties' facilities are available, and
 - for any reduction in competition caused by the merger for large television studios, the OFT notes that (even excluding BBC TV Centre and 3sixtymedia on a cautious basis) there are a significant number (at least six) of alternative venues available throughout the UK. Further, the OFT considers that, for this segment of the market in particular, providers of four wall studios offer a constraint to the merged firm since they are generally used interchangeably with large fully/partially-furnished studios.

MCUK's current market position

37. The parties emphasised that MCUK is []. In any event, they stated that Peel would not realise all of the retained profits associated with any business diverted from Pinewood to MCUK since 50 per cent of the profits go to SIS, the joint venture partner for MCS that manages MCUK. They therefore asserted that this would reduce further Peel's incentive to raise price or deteriorate quality, range or service.
38. One competitor provided the OFT with a promotion document by MCUK which reads: 'Getting your pilot off the ground, land your shows for free'. The parties also confirmed that []. The OFT's investigation suggests that Peel is aggressively competing for business, which may suggest that [].
39. Nevertheless, the OFT is conscious of the structural changes in demand and supply that are taking place in this market. The OFT therefore

examines below the potential effects of future developments in the supply of studio facilities.

Potential effects of future developments in the supply of studio facilities

40. MCK is a new entrant in the media sector. Nevertheless, some third parties argued that despite its recent opening in January 2011, MCK is marketing itself as a significant provider of state-of-the-art studio facilities and has guaranteed revenue streams from the BBC and ITV (the former through the move of BBC Children's and BBC Sport; the latter, through the move of Coronation Street to land owned by Peel in the MCK area as well as the likely relocation of 3sixtymedia), who are the two largest broadcasters in the UK. Indeed, MCK positions itself as 'the most significant media development in the UK' and that '[a]t the centre will be the most advanced studio block in the UK with over 20,000 sq m of office, production and post production space that can be used by a variety of companies, large and small'.⁹
41. In addition and as set out in paragraph 28 above, the OFT notes that some capacity is likely to come out of the market in or around 2015. However, the extent of this reduction of capacity is currently unknown.
42. The OFT believes that the north west area through the relocation of the BBC is likely to make the region more prominent in the future for the media industry as a whole. However, the OFT considers it too speculative to determine the extent to which studios in this locality will constrain studio providers in London and the south east in the years to come.
43. Similarly, whilst the OFT is of the view that MCK is likely to become a stronger competitive force in the future, the OFT considers that there is insufficient evidence to determine how much stronger it is likely to become. In any event, even if the OFT accepts that MCK may have increasingly competed for Pinewood's business absent the merger (see also paragraph 24 above), the OFT believes that there are a significant number of alternative studio providers (for all types of studios) that will continue to remain in the market post-merger and will serve as an effective constraint on the merged firm, such that the merger does not give rise to a realistic prospect of a substantial lessening of competition.

⁹ mediacity:uk – The Vision, Northwest Regional Development Agency.

Barriers to entry and expansion

44. The parties considered that barriers to entry and expansion are low since a new entrant would only require a building with suitable space and equipment, all of which could be hired or rented in. They stated that Wimbledon Film and Television and the Warner Bros development at Leavesden were examples of recent refurbishment projects. They also gave an example of a recent new entrant, Century 21 Films, which has one 32,000 sq ft stage and is currently pitching for [] productions among other things. In addition, the parties were of the view that the International Broadcast Centre at the Olympic Village will provide additional opportunities for new entry after 2012.
45. Third parties generally considered that barriers to entry are significant. One competitor told the OFT that it would be difficult to enter the market without a major broadcaster or TV channel commissioning a new entrant to do so. It noted that an entrant would be unlikely to build new premises but would rather take over and redevelop existing studios looking to close down.
46. The OFT considers that although the largest broadcasters, ITV and BBC, are likely to reduce capacity in the near future, they have significant financial and commercial strength such that they would have the ability to expand their existing capacity (or sponsor entry/expansion) in response to any raised prices/deterioration of quality, range or service of the merged entity's studio offering.
47. In this case, the OFT does not consider it necessary to conclude on barriers to entry since the proposed transaction does not in any event give rise to a realistic prospect of a substantial lessening of competition.

The supply of studio facilities for film production

Potential competition

48. The OFT acknowledges that MUK is not currently active in the supply of significant studio capacity for film production. However, a number of third parties noted that MUK is marketed as offering facilities for film production. For example, an MUK publicity document states that

'mediacity:uk makes room for all. Whether digital media, TV and **film production**, broadcasting or publishing...mediacity:uk can provide new business opportunities [emphasis added].' Further, it asserts that '[i]t won't take long for all 200 acres of mediacity:uk to rise up by the banks of Manchester Ship Canal. Demand is already high for the office, production and retail spaces on offer.'¹⁰

49. The OFT received some unsolicited submissions from third parties active in the film industry who were of the view that Pinewood is the only real player in the supply of studios for film production but that MCKUK would be a potential alternative competitor to Pinewood. This was premised on the fact that MCKUK represents a large hub for media activities, spreading across 200 acres of land still to be developed. In their view, they considered that such land could be converted for use by film producers within a short period of time.
50. On the other hand, the OFT contacted other film producers in the UK, one of whom responded. It told the OFT that Pinewood dominated the industry in the UK and was globally-renowned. The film producer stated that the film market is both niche and protectionist in nature and that Pinewood had built up its global reputation over the last 60 years. It therefore viewed the merger as having no impact in the film industry not least since Hollywood producers are most driven by location and size.
51. Although the OFT notes that Peel has a significant amount of land on which only part has been used to build MCKUK, the OFT considers it too speculative to consider that MCKUK would in the absence of the merger be a credible entrant in the supply of facilities for film production in any timely or likely manner such that the merger may result in a reduction in potential competition. Notwithstanding the ambitious flavour of the publicity documentation referred to in paragraph 48 above, the OFT notes that there is nothing in Peel's internal documents to suggest that it is in fact considering converting the land for film use. Third parties have also been unable to provide the OFT with any more concrete evidence in this regard.

¹⁰ mediacity:uk – The Vision, Northwest Regional Development Agency.

52. For all the above reasons, the OFT does not consider that the merger gives rise to a realistic prospect of a substantial lessening of competition in the supply of studios for film production in the UK or more widely.

Conclusion on unilateral effects

53. The OFT does not consider that the proposed transaction gives rise to a realistic prospect of a substantial lessening of competition in the supply of studios for television production in the UK. Neither does it consider that the merger gives rise to any potential competition concerns.

BUYER POWER

54. The parties submitted that customers have significant bargaining power which constrains suppliers of television studios. In particular, the parties noted that studio providers' cost structure largely consists of fixed costs which are incurred regardless of whether the studio houses a production, such that suppliers have a strong incentive to fill their studios in order to make some contribution to fixed overheads. The parties argued that this gives studio suppliers an incentive to price discriminate and therefore puts television producers in a strong position to negotiate price.
55. The majority of television studio customers did not raise concerns about their ability to obtain competitive prices. Some customers confirmed the parties' assertions by stating that they had a degree of negotiating strength. Broadcasters, in particular, acknowledged their strong bargaining power (and the strength of the BBC in this respect is addressed in paragraph 59 below).
56. The OFT does not consider it necessary to conclude on the extent to which customers have buyer power in this case, since the proposed transaction does not raise significant competition concerns.

THIRD PARTY VIEWS

57. Third party comments have been discussed above where relevant.
58. The majority of the parties' customers did not raise any concerns about the proposed merger, citing many alternatives to the parties' facilities. Two customers did voice concerns about the likely strength of the merged firm post-transaction which could be expected to lead to increased prices especially once BBC TV Centre exits the market. [].
59. The OFT notes, however, the strength of the BBC as both a customer and competitor in this market and its unique ability to influence the location of where productions should be produced through its commissioning of television programmes. In addition, the OFT believes that the BBC has the ability to respond to any increase in price or deterioration in quality, range or service of the merged firm's studio offering by, for example, opening a new studio site of its own, or requiring productions it commissions to be produced in competing studio providers' premises.
60. [].
61. [].
62. A number of the parties' competitors raised concerns about the likely strength of the merged entity, stating that the merger will create an unlevel playing field for rivals, making new entry/expansion more difficult. Three competitors raised concern about the close ties MCUK will have through its relationship with BBC and ITV such that the merged firm may have the ability and incentive to direct London-based television productions to Pinewood's facilities, to the exclusion of rival studios located in London or the south east. In light of the regional aspects of the market outlined above, the OFT considers it unlikely that the merged firm will have the ability to leverage its position in the north west to the south east, and vice versa. In any event, the OFT notes that the BBC is unlikely to want to lock-in all their productions to just two studio providers, but would be expected to continue to look at the whole market for the supply of studio facilities, and consider a broad range of factors (such as price, location, size and so forth) when choosing such a provider.

63. In addition, the OFT received 51 unsolicited complaints stating that the merger will not be good for competition since too much control would be in the hands of Peel in the supply of studio facilities for both film and television production. These third parties consisted of minority shareholders of Pinewood, lobbyists, and predominantly residents in the Iver area who actively oppose the building plans of Pinewood to expand its activities on greenbelt land (Project Pinewood). The OFT also received a letter of concern from [an] MP on behalf of his constituents. The Department for Culture, Media and Sport also informed the OFT that it had received a number of complaints. To the extent that these representations related to concerns about a substantial lessening of competition that could be brought about by the merger, they have been taken into account by the OFT in its competitive assessment, as set out above.

ASSESSMENT

64. The parties overlap in the supply of studio facilities for the production of television programmes, and the supply of post-production facilities. The OFT received no concerns about the supply of post-production facilities and so does not analyse this area of overlap further. With respect to the geographic scope, the OFT analyses market shares and concentration with respect to the UK as a whole, but takes into account a more regionalised competitive dynamic when assessing closeness of competition between the parties. The OFT also assesses potential competition in the supply of studio facilities for film production.

65. With respect to the supply of studio facilities for television production, the OFT notes that although the parties' television studio facilities are broadly similar in terms of size, technology and functionality, they are located in different regions such that third parties do not consider the parties to be close competitors. The OFT observes that there are a significant number of alternative studio providers for television producers to choose from, not only those in the parties' respective locations, but also those available nationally. In addition, the OFT considers that providers of four wall studios will add a significant level of constraint on the merged entity, not least since for the larger television productions, four wall studios and partially-equipped television studios are often used interchangeably. In addition, the

majority of the parties' customers did not raise any concerns regarding the proposed transaction.

66. In terms of future development in the structure of the market, the OFT notes that the BBC and ITV are likely to reduce television studio capacity in the next few years, and that, with their move to Salford, MUCUK is likely to be a stronger competitive force going forward. However, even if this is the case, the OFT believes that there are a sufficient number of alternative studio providers to constrain the merged entity going forward.
67. With respect to the supply of studios for the production of films, the OFT does not consider that the merger gives rise to credible potential competition concerns. The OFT has seen no credible and concrete evidence to suggest that Peel intends to convert available land at MUCUK in order to provide studio capacity for film production.
68. As a result of the above, the OFT does not consider that it is or may be the case that the merger may be expected to result in a substantial lessening of competition in the supply of studios for television product or for film production in the UK or the supply of post-production facilities in the UK.

DECISION

69. The proposed transaction will not be referred to the Competition Commission pursuant to section 33(1) of the Act.

ENDNOTE

70. The OFT clarifies that with respect to paragraph 36, second bullet, reference to 'partially-furnished' studios should read 'partially-equipped'.
71. With respect to paragraph 40, the parties clarified that contrary to third party views, Peel currently has no guaranteed revenue streams from ITV for studio usage.