

UNDERTAKINGS GIVEN BY CARLTON COMMUNICATIONS PLC AND GRANADA PLC TO THE SECRETARY OF STATE FOR TRADE AND INDUSTRY PURSUANT TO SECTION 88 (2) OF THE FAIR TRADING ACT 1973

Notice of consultation on revised remedy proposal submitted by ITV

Following the CC's provisional decision not to accept ITV's proposal regarding its Rules for Protection of Advertisers ('RPA Mark 1') in the CC's *Provisional Decision on Remedy Variations*, ITV has now submitted a revised RPA proposal ('RPA Mark 2'). There are significant differences between RPA Mark 1 and RPA Mark 2 and ITV has explained these differences in its RPA Mark 2 proposal. ITV proposes that RPA Mark 2 would replace the CRR Undertakings.

Having reviewed ITV's proposal, we are seeking views from third parties as to whether, and if so how, RPA Mark 2 could provide sufficient protection to media buyers by addressing effectively the adverse effects of the merger between Carlton and Granada, given the changes in circumstance that we identified in our *Provisional Decision as to Changes of Circumstance*. The CC would like to hear from all interested parties by **5pm on Tuesday 9 March**. Please submit comments **by email** to [Emily Chissell](#), Inquiry Manager, or by post to the following address: Competition Commission, Victoria House, Southampton Row, London WC1B 4AD.

We would welcome comments on any aspects of RPA Mark 2 that relate to its effectiveness, practicability and proportionality as a remedy. In particular, we invite views on the following aspects of RPA Mark 2:

A. That proposals from ITV for the sale of ITV1 airtime should not be deemed unreasonable if (i) the year-on-year change in proposed SOB commitment is proportionate on a 1:1 basis with the change in ITV1's SOCI, and (ii) any reduction in discount is limited to a reduction of 10 per cent on the previous year's discount.

1. Are the criteria for the 1:1 change in SOB/SOCI and the 10 per cent limit on year-on-year discount reduction appropriate criteria for offers for ITV1 airtime not to be deemed unreasonable and therefore not adjudicable? If not, are there alternative criteria that might be more appropriate?

B. The controls on discounts

2. Would the control on weighted average discounts provide protection over and above that inherent in the airtime trading system?
3. Would the 10 per cent limit on year-on-year discount reduction to any individual media buyer prevent ITV from worsening overall terms against particular media agencies or advertisers?

C. The effect of RPA Mark 2 on the negotiation process

4. How do you envisage the negotiation process working under RPA Mark 2?
5. How do 'quality' contractual terms (eg those terms relating to position in break, centre breaks etc) compare in importance to SOB commitment and discount in annual airtime negotiations? How might the absence of protection for such terms affect the negotiation process?

D. The dispute process

6. How effective would the incentives be for media buyers to initiate a dispute under RPA Mark 2? How might this affect the number of disputes?
7. Would any guidance be required on the basis for adjudication and, if so, what might that be?
8. Do you see any difficulties in providing ITV with a right of appeal to Ofcom?

E. Other aspects of RPA Mark 2

9. Would the abolition of the requirement under CRR for ITV to maintain the current airtime sales system (for example, the requirement to continue offering particular regions or demographics) create any risks that ITV might be able to circumvent RPA Mark 2?