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**A Response to the Government's
Consultation on Media Ownership Rules**

1 Introduction

Bloomberg is a US Limited Partnership with substantial operations in the United Kingdom and throughout Europe. Bloomberg opened its first offices in London in January 1987 and, since that date, has made continual and significant investment into and within the UK economy. This paper is a response to the Government's consultation on Media Ownership Rules of November 2001 (the "Consultation") and, in particular, a response to the Government's proposals at paragraph 6.1.5 of the Consultation to keep the current prohibition on non-EEA ownership of certain analogue broadcasters.

2. The aim of media ownership rules

We broadly welcome and concur with the key aims of media ownership rules identified at section 5 of the Consultation. As a company with long-standing links to the UK, we welcome the Government's aims to introduce legislation that will facilitate the UK being at the heart of media convergence and expansion by encouraging international skills and investments, and by being responsive to the development of new markets and new technologies.

It is our view that the best way to achieve these aims is not to restrict the corporate structures and interests of media companies, but rather to combine ownership restrictions principally delimited by the normal competition rules together with strong and balanced regulation of the conduct of broadcasters in relation to the content of their broadcasts.

Moreover, the current UK foreign ownership regulations must be interpreted and applied in accordance with the rules on freedom of establishment and freedom to provide services contained in Article 43, Article 48 and Article 49 of the EC Treaty. We are of the view that any company duly established in an EU Member State should be allowed to acquire interests in a UK entity, even if it is ultimately controlled by a non-EEA entity. The key requirement is that this company's activities must have an "effective and continuous link" with the economy of such Member State.

3. Current rules

Currently, the UK Broadcasting Act provides that non-EEA controlled entities cannot hold a Channel 3 service, Channel 5, restricted or radio analogue licence, or control a body that holds such a licence. In our view, this rule must be read subject to the rights under the EC Treaty of non-EEA controlled entities that are (i) duly established in an EU Member State and (ii) have an "effective and continuous link" with the economy of such Member State.

However, the UK legislation provides that non-EEA controlled entities are nevertheless authorised to hold digital licences. It is our view that such a situation,

quite apart from being anomalous, fails to encourage diversity, increase the quality of programming, or protect public service broadcasting. In addition, such a position is at odds with the vast majority of other EEA countries, which either do not restrict foreign ownership at all (e.g. Germany and Spain), or permit indirect foreign ownership to a much greater extent, when direct ownership is held by subsidiaries (i) duly established in an EU Member State and (ii) having an "effective and continuous link" with the economy of such Member State. It is our view that the lack of foreign ownership restrictions in those other EEA countries - or their interpretation as inapplicable to indirectly non-EEA controlled entities - must necessarily make it much more attractive for international and domestic media companies to invest in those countries rather than the UK, with clear detriments to investment and innovation in the UK.

We believe that Bloomberg's operations to date in the UK and the EU generally provide an example of the benefits of permitting investment by overseas companies. Bloomberg has been at the forefront of developing new programming for consumers in the UK, offering consumers access to business and financial information that has, until recently, been unavailable on any other television or radio channel. Bloomberg Television, launched in February 1994, is available to all cable and satellite viewers in the UK and covers business and financial news 24-hours a day. The unique, multiscreen format of Bloomberg Television provides an uninterrupted stream of real-time financial data and business headlines. Bloomberg Television also produces syndicated programming for television networks and stations worldwide, including floor reports from stock exchanges around the globe. Bloomberg Television reaches 200 million people globally.

On radio, Bloomberg is the UK's only radio station devoted to money news and analysis. Only available on digital radio and via cable and satellite television, the station carries a mix of original radio production and programming from Bloomberg's UK television channel, offering radio listeners content that cannot be found on any other analogue or digital radio station.

We believe that it is anomalous to impose artificial constraints on the benefits of innovation such as this by denying businesses such as Bloomberg the ability to control analogue television and radio broadcasters.

4. Our proposals

It is our view that restricting companies like Bloomberg, that have made a clear commitment to Britain and have substantial and long-standing links with the country's economy, from investing in the UK runs contrary to the aims set out in the Consultation.

We submit that the Government should:

- (i) make a clear statement acknowledging that UK current foreign ownership rules must be construed in compliance with EU law; and

- (ii) take the necessary legislative steps to remove all foreign ownership restrictions in order to encourage all businesses, regardless of their original place of establishment, to invest financially in the UK and to bring new skills and technologies to the industry

For further information please contact Dick DeScherer of Wilkie Farr & Gallagher, lawyers for Bloomberg, [REDACTED]

BLOOMBERG LP

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