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India: The CCI warns that the Disney-Reliance media merger could harm competition!

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Cricket holds a special place in the hearts of Indians!

Almost every corner and street of the country has seen the magic of cricket, be it through playing the sport by the people or watching international and domestic matches. This joy that many Indians get comes mainly from the broadcasting of matches by Reliance or Disney.

There has always been competition between many companies to acquire broadcasting rights for cricket; however, recently, there has been a merger between Reliance and Disney and apprehensions regarding the same have been brought to light by the Competition Commission of India (CCI) on the US\$8.5 billion merger deal. Unveiled in February 2024, this merger promises to assemble the largest entertainment conglomerate in India, a shift that will be profoundly felt in the media and broadcasting industries.

However, the CCI has warned on the apparent risk of anti-competitive behaviour stemming from the merged firm's hold on cricket broadcasting rights; that is, that there may be a decline in market competition, higher pricing ability, and monopolies, especially concerning the Indian craze for cricket. The role of the CCI is to ensure that the media market is healthy and open for competition.

The CCI has scrutinized the planned deal involving Disney and Reliance Media assets. The main idea of the coupling was to unite the Disney channel network with the Reliance broadcasting and streaming services, and the CCI has expressed a lot of concern regarding the possible anti-competitive impact over the control of cricket broadcasting rights in India.

The merged entity would own the cumulative transmission and streaming rights within major cricket events, such as the IPL (Indian Premier League), which is the most-watched sporting League in the world. Such concentration of power may result in the rise of advertisement costs and more control over the advertisers making the market less competitive.

Such a merger would result in one company holding nearly a quarter of the television market and another quarter of the streaming market. This could essentially be problematic for competitors, such as Sony, Zee Entertainment, Netflix, and Amazon, who might find it hard to compete with the kind of reach that the new entity will have.

As for the antitrust concerns, they arise from the possibility of the merged entity engaging in unfair business practices, such as dictating unfair prices to advertisers, and, therefore, consumers. These concerns are not unfounded and can be substantiated with the help of supporting evidence. First, it is an understood fact that the merged entity would have unprecedented dominance in the broadcasting rights over the IPL, as well as international cricket. This control is supported by the fact that Reliance currently possesses the TV rights for the Board of Control for Cricket in India (BCCI) matches and Disney holds the rights to IPL on TV until 2027.

In addition, based on the market data, if Disney-Reliance establishes a joint entity, it can dominate 40% of the advertising market in television and streaming. Also important to remember is that cricket occupies 87% of sports advertising in India, underlining the numerous financial ramifications of these broadcasting rights.

Moreover, it is not the first attempt at a merger of media conglomerates, as the previous merger of Zee-Sony had tried similar dubious practices, resulting in regulatory pushback with concessions compulsorily being made to get the deal through. It is for this reason that the Disney-Reliance merger is getting lots of clampdown from the CCI based, as mentioned, on competition grounds.

The CCI has served a notice on both companies, seeking their responses as to why it should not look into the matter. This scrutiny may slow the merger or result in significant trade concessions, including divestiture or behavioural cures to the competition issues.

There is a paramount need for market competition in India, especially in the media sector, with special focus on the broadcasting of sporting events. Regulatory action undertaken by the CCI is critical to prevent the formation of a single media giant that would control the market to the detriment of other players and consumers.

The effects of this regulatory attention will, therefore, be decisive in shaping the future of the media industry in India!



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