

ALMR Press Notice

OFCOM IS ON TRACK, SAYS ALMR

The latest steps to address Sky's effective monopoly within the Pay TV market announced today by Ofcom may prove a rare piece of good news for the pub and bar industry, if these measures are implemented across the commercial as well as the domestic market, according to The Association of Licensed Multiple Retailers.

Ofcom has launched a new consultation on recommendations for regulating the sale of Sky's premium channels. If taken forward, such proposals could inject some much-needed competition in the commercial market for Sky services.

The *ALMR* has led the campaign to end the unfair conditions created by Sky's monopoly on TV services for commercial customers such as pubs and bars. The new measures, if implemented in the commercial market, could see Sky obliged to offer competitive prices, particularly for football and movies.

Its vertical integration in the market means that when Sky wholesales, it is effectively wholesaling to its competitors, and at present, it can refuse to supply entirely, or manipulate the terms and conditions of this supply. Sky has subsequently used this dominant position to force its competitors out of the commercial supply market, leaving pubs with only a monopoly supplier from which to buy football broadcasts and other TV services.

ALMR Head of Communications, Kate Nicholls, comments:

"Sky has been exploiting its position as the monopoly supplier to pubs and bars for too long. Our industry has been bombarded with unfair price hikes, with the cost of Sky rising an incredible 13% last year alone. 25% of pubs were effectively forced to stop their Sky subscription over the past five years in the face of Sky-high prices."

"It's imperative that Ofcom ensures any recommendations to level the playing field are implemented not only for Sky's domestic market, but also its commercial offering to pubs and bars. We would urge Ofcom to make clear the terms and conditions of any new regulations for ensuring Sky opens access to its premium services, and crucially, the wholesale price at which they will be made available. If this is achieved, Ofcom's new recommendations will be supported by publicans across the country. At last we might see the prospect of some open, fair competition in the commercial Pay TV market and this will be an enormous relief."

New research from *ALMR* shows that that a typical local has to more than double its usual takings over the bar on Sky Premiership match days just to break even on the Sky Sports subscription. This means that pubs have to sell 25,000 extra pints over the course of a season just to cover the £15,000 average subscription cost. *ALMR* figures also show how vital commercial customers are to Sky, with estimates showing that they generate £340 million annually from pub subscriptions, covering the majority of Sky's £433 million outlay on Premiership TV rights. .

One clear example of Sky exploiting its monopoly position relates to Setanta coverage. Sky charged a maximum stand-alone Setanta fee of £2,650 in 2007/08. For the 2008/09 season it will be £22,935 – up 765%.

Alex Salussolia, *ALMR* President and Managing Director of Glendola Leisure, comments:

"Sky makes it very difficult for operators to subscribe only to Setanta matches. I was repeatedly told I could only get those games if I had a Sky subscription. To add insult to injury, I now find that they have dramatically increased the cost of any new Setanta subscriptions. The cost of a subscription has gone up from £2,650 to almost £23,000 a year. How can a 756% increase be fair or right? It's a blatant attempt to exploit its monopoly position and price a competitor out of the market"

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Notes for editors

- The *ALMR* is the only national trade body solely dedicated to representing the interests of pub and bar operators, and to providing them with business support and advice. It has almost 100 member companies, operating over 15,000 outlets.
- Last year Sky offered a “price freeze” to operators who signed up to their “Football +” service. Beneficiaries of that freeze now face enormous increases this year. Sky has also trimmed its standard package “Base”, excluding games such as World Cup qualifiers that were previously available to non-premium subscribers. In addition, pubs must now take out a separate subscription to the popular At The Races channel, which was previously provided as part of packages. As a result, many operators find themselves paying up to 18% more to provide the same service as last year, with an average increase of around 13%.
- One *ALMR* member’s Sky subscription rose from £1,471 in 1996 to £8,820 in 2008, a 463% increase. Over the same period, the BBC licence fee has risen from £89.50 to £139.50. A pint of lager in one of his pubs has risen from £1.95 to £2.55. Had a pint risen by 463% it would now cost £9.02.
- The 25,000 pints figure is based on the average Sky subscription cost among *ALMR* members of £15,000 per season per outlet, a gross sales price of £2.80 for a pint of standard lager (meaning a net sales price, excluding VAT, of £2.38) and costs of sales of £1.19, assuming the industry standard 50% mark-up. *ALMR* benchmarking research evidence shows that typical variable operating costs (including for example extra staff, glassware and cleaning costs but excluding fixed overheads such as rent and utility bills) are 59p per pint, leaving 60p net operating profit per marginal pint. Pubs would therefore need to sell an extra 25,000 pints to break even on a £15,000 subscription.
- Sky screens 92 Premiership games so a typical pub needs to sell on average an extra 272 pints per match, or £762, to cover the cost of the subscription. In reality, pubs rely on matches between the Big Four teams and occasional local derbies for the vast majority of their Sky-related revenue. A typical local tenanted pub takes £5,000 over the bar per week.
- On Sky’s 2007/08 rate card, the cost of Setanta as a stand-alone package ranged from £605 for the smallest pub to £2,650 for the largest. In 2008/09, the range is £735 - £22,935.