

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,
Department of Justice
Antitrust Division
1401 H Street, N.W.
Suite 3000
Washington, D.C. 20530

Plaintiff,

v.

THE NEWS CORPORATION LIMITED,
2 Holt Street
Sydney, New South Wales
Australia

FOX TELEVISION HOLDINGS, INC.,
1999 S. Bundy Drive
Los Angeles, California 90025

and

CHRIS-CRAFT INDUSTRIES, INC.,
767 Fifth Avenue
New York, New York 10153

Defendants.

CASE NUMBER 1:01CV00771

JUDGE: Colleen Kollar-Kotelly

DECK TYPE: Antitrust

DATE STAMP: 04/11/2001

COMPLAINT FOR INJUNCTIVE RELIEF

The United States of America, acting under the direction of the Attorney General of the United States, brings this action to obtain equitable relief against the defendants to prevent the proposed acquisition of Chris-Craft Industries, Inc. ("Chris-Craft") and its subsidiaries BHC

Communications, Inc. ("BHC") and United Television, Inc. ("United Television") by The News Corporation Limited ("News Corp") and its subsidiary FOX Television Holdings, Inc. ("FOX").

The United States alleges as follows:

1. The acquisition of Chris-Craft by News Corp will result in News Corp's KSTU-TV, a FOX affiliate, and Chris-Craft's KTVX-TV, an ABC affiliate, being under common ownership and control. These two television stations currently compete vigorously against one another in the sale of advertising time because local and national business consumers find them close substitutes due to the demographic reach of the stations in the Salt Lake City, Utah market.

2. The proposed acquisition will give News Corp ownership of two of the top four broadcast stations in the Salt Lake City market with approximately 40% of the broadcast television spot advertising revenue. The acquisition will eliminate the head-to-head competition that exists between News Corp and Chris-Craft. Unless blocked, it will likely lead to higher prices for advertisers who purchase broadcast television spot advertising in the Salt Lake City market in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

I. JURISDICTION AND VENUE

3. This action is filed by the United States under Section 15 of the Clayton Act, as amended, 15 U.S.C. § 25, to prevent and restrain defendants from violating Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

4. Defendants each sell broadcast television advertising, a commercial activity that substantially affects, and is in the flow of, interstate commerce. The Court has subject matter jurisdiction over this action and jurisdiction over the parties pursuant to 15 U.S.C. §§ 22 and 25, and 28 U.S.C. §§ 1331 and 1337.

5. Defendants FOX and Chris-Craft each transact business and are found in the District of Columbia. Moreover, all defendants have consented to plaintiff's assertion that venue in this District is proper. Venue, therefore, is proper in this Court pursuant to 15 U.S.C. § 22 and 28 U.S.C. § 1391(b) and (c).

II. THE DEFENDANTS AND THE PROPOSED TRANSACTION

6. News Corp is a foreign corporation existing under the laws of Australia that has its headquarters and principal place of business in Sydney, New South Wales, Australia. News Corp, through its subsidiary, FOX, owns 23 television stations in the United States. News Corp also owns cable and satellite distribution businesses and produces films for the television and the motion picture industries.

7. FOX is a corporation existing under the laws of Delaware with its headquarters in Los Angeles, California. FOX is a subsidiary of News Corp. Through its subsidiaries, FOX owns and operates television stations in the United States, including KSTU-TV in Salt Lake City.

8. Chris-Craft is a corporation existing under the laws of Delaware with its headquarters in New York, New York. Chris-Craft, through its subsidiaries BHC and United Television, owns and operates 10 television stations in the United States, including KTVX-TV in Salt Lake City.

9. On August 13, 2000, News Corp; News Publishing Australia Limited, a subsidiary of News Corp; FOX; and Chris-Craft and its subsidiaries, BHC and United Television, entered into a \$5.3 billion plan of merger under which News Corp would acquire Chris-Craft, BHC, and United Television. The United States seeks to enjoin the proposed acquisition because it would combine

Chris-Craft's KTVX-TV with News Corp's KSTU-TV, thereby lessening competition substantially in the provision of broadcast television spot advertising time in the Salt Lake City market.

III. TRADE AND COMMERCE

A. Broadcast Television Spot Advertising Is a Relevant Product Market

10. Broadcast television stations attract viewers through their programming and then sell access to their viewers -- that is, advertising time -- to businesses that want to advertise their products. "Spot" advertising comprises the majority of a broadcast television station's revenues and is sold either directly by the station, or through its national representative, on a localized, market-by-market basis. Broadcast television spot advertising is purchased by advertisers who want to target potential customers in specific geographic markets. It differs from network and syndicated television advertising, which are sold by the major television networks and producers of syndicated programs on a nationwide basis and broadcast in every market where the network or syndicated program is aired.

11. Broadcast television spot advertising possesses unique attributes that set it apart from advertising using other types of media. Only television combines sight, sound, and motion, thereby creating a more memorable advertisement. Moreover, of all media, broadcast television spot advertising reaches the largest percentage of all potential customers in a particular target market and is therefore especially effective in introducing and establishing the image of a product. For a significant number of advertisers, broadcast television spot advertising, because of its unique attributes, is an advertising medium for which there is no close substitute. Such customers would not switch to another advertising medium -- such as radio, cable, or newspaper -- if broadcast television spot advertising prices increased by a small but significant amount.

12. For example, cable television, like broadcast television, is a visual medium, but it is not a meaningful substitute for broadcast television spot advertising because the audience for any one cable channel is typically very limited and specialized compared to the audience of broadcast television stations. Moreover, it is much more difficult for advertisers to predict the impact of a cable advertisement because information about program ratings is not as complete or readily available as it is with broadcast television. Other media, such as radio or newspapers, are even less desirable substitutes.

13. Even though some advertisers may switch some of their advertising to other media rather than absorb an increase in the price of broadcast television spot advertising, the existence of such advertisers would not prevent stations from profitably raising their prices a small but significant amount. During individualized negotiations between advertisers and broadcast television stations, advertisers provide stations with information about their advertising needs, including their target audience. This enables television stations to identify advertisers with strong preferences for broadcast television advertising. At a minimum, broadcast television stations could profitably raise prices to those advertisers who view broadcast television as a necessary advertising medium either as their sole method of advertising or as a necessary complement to other advertising media.

14. The sale of broadcast television spot advertising is a relevant product market within the meaning of Section 7 of the Clayton Act.

B. The Salt Lake City DMA Is the Relevant Geographic Market

15. A Designated Marketing Area ("DMA") is a geographic unit defined by A. C. Nielsen Company, a firm that surveys television viewers and furnishes television stations, advertisers, and advertising agencies in a particular area with data to aid in evaluating audience size

and composition. The Salt Lake City DMA generally encompasses the state of Utah. Signals from broadcast television stations located in Salt Lake City reach viewers throughout the DMA, but signals from broadcast television stations located outside the DMA reach few viewers within the Salt Lake City DMA.

16. Advertisers use broadcast television stations within the Salt Lake City DMA to reach the largest possible number of viewers within the entire DMA. Some of these advertisers are located in the Salt Lake City DMA and need to reach customers there; others are regional or national businesses that want to target consumers in the Salt Lake City DMA. Advertising on television stations outside the Salt Lake City DMA is not an alternative for these advertisers because such stations cannot be viewed by a significant number of potential customers within the DMA. Thus, if there were a small but significant increase in broadcast television spot advertising prices within the Salt Lake City DMA, advertisers would not switch enough advertising purchases to television stations outside the Salt Lake City DMA to render the price increase unprofitable.

17. The Salt Lake City DMA is a relevant geographic market for the sale of broadcast television spot advertising within the meaning of Section 7 of the Clayton Act.

C. Harm to Competition

18. Broadcast television stations compete for advertisers by choosing programming to attract viewers to their stations. In choosing programming, a station tries to select shows that will appeal to the greatest number of viewers, and also tries to differentiate itself from other stations by appealing to specific demographic groups. Advertisers, in turn, are interested in using broadcast television spot advertising to reach a large audience, as well as to reach a high proportion of the type of viewers that are most likely to buy their products.

19. The proposed acquisition would give News Corp ownership of two of the top four broadcast stations in the Salt Lake City DMA and would increase its market share of broadcast television spot advertising revenue from 21% to 40%. The Herfindahl-Hirschman Index ("HHI"), a measure of market concentration explained in Appendix A, demonstrates that a combination of KSTU-TV and KTVX-TV would substantially increase the already high concentration in the Salt Lake City DMA broadcast television spot advertising market: the post-acquisition HHI would be approximately 2801, representing an increase of about 785 points.

20. Currently, KSTU-TV and KTVX-TV compete head-to-head against each other in the sale of broadcast television spot advertising, largely because the demographic appeal of their programming makes them close substitutes for a significant number of advertisers. Advertisers are able to "play off" KSTU-TV and KTVX-TV against each other and obtain competitive rates for programs that target similar demographics. After the acquisition, a significant number of advertisers will be unable to reach their desired audiences with equivalent efficiency unless they use News Corp's stations. The acquisition, therefore, will enable News Corp unilaterally to raise prices.

D. Entry

21. Other broadcast television stations in the Salt Lake City DMA would not change their programming in response to a price increase imposed by News Corp after the acquisition. Not only are television stations often committed to the programming provided by the network with which they are affiliated, but it often takes years for a station to build its audience. Programming schedules are complex and carefully constructed taking many factors into account, such as audience flow, station identity, and program popularity. In addition, stations typically have multi-year

contractual commitments for individual shows. Repositioning would require changing many of the shows in a station's lineup, and would be risky, difficult, and time-consuming. A television station is unlikely to take such a risk simply to capitalize on a small but significant price increase by News Corp after the acquisition.

22. De novo entry into the Salt Lake City DMA is unlikely inasmuch as the Federal Communications Commission ("FCC") regulates entry through the issuance of licenses, which are difficult to obtain. Even if a new signal became available, commercial success would come, at best, over a period of many years. Thus, entry into the Salt Lake City DMA broadcast television spot advertising market would not be timely, likely, or sufficient to deter News Corp from unilaterally raising prices.

IV. VIOLATION ALLEGED

23. News Corp's proposed acquisition of Chris-Craft may lessen competition substantially in interstate trade and commerce, in violation of Section 7 of the Clayton Act.

24. Unless restrained, the acquisition would have the following effects, among others:
- a. competition in the sale of broadcast television spot advertising in the Salt Lake City DMA would be substantially lessened;
 - b. actual and potential competition between KSTU-TV and KTVX-TV in the sale of broadcast television spot advertising in the Salt Lake City DMA would be eliminated; and
 - c. the prices for broadcast television spot advertising in the Salt Lake City DMA would likely increase.

V. REQUESTED RELIEF

25. The United States requests (a) adjudication that News Corp's acquisition of Chris-Craft would violate Section 7 of the Clayton Act; (b) preliminary and permanent injunctive relief

preventing the consummation of the proposed acquisition; (c) an award to the United States of the costs of this action; and (d) such other relief as is just and proper.

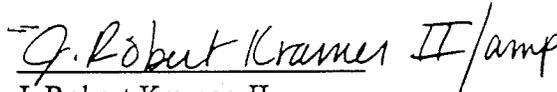
Dated this 17th day of April, 2001.

Respectfully submitted,

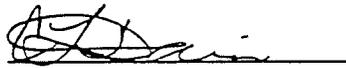
FOR PLAINTIFF UNITED STATES



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APPENDIX A DEFINITION OF "HHI"

The term "HHI" means the Herfindahl-Hirschman Index, a commonly accepted measure of market concentration. The HHI is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. For example, for a market consisting of four firms with shares of 30, 30, 20, and 20 percent, the HHI is 2,600 ($30^2 + 30^2 + 20^2 + 20^2 = 2,600$). The HHI takes into account the relative size and distribution of the firms in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

Markets in which the HHI is between 1000 and 1800 are considered to be moderately concentrated, and markets in which the HHI is in excess of 1800 points are considered to be highly concentrated. Transactions that increase the HHI by more than 100 points in highly concentrated markets presumptively raise significant antitrust concerns under the Department of Justice and Federal Trade Commission 1992 Horizontal Merger Guidelines.