

by BSkyB, Rupert Murdoch's satellite-television company, would not be in the public interest.

The final arbiter on the takeover is Stephen Byers, secretary of state for trade and industry, who received the MMC's report on March 12th. However, he is unlikely to overturn the MMC's recommendations: only last week Mr Byers proposed that decisions on almost all mergers should be taken out of ministers' hands.

There may be no better argument for depoliticising merger policy than the BSkyB-United case. Block the deal, and Mr Byers will displease Mr Murdoch, who also controls lots of newspapers. Let it through, and the minister will displease most football fans. Those who do not follow United think that the club is quite powerful enough without BSkyB's money. Even some who do support the team see a sale to Mr Murdoch as a pact with the devil.

As well as politics, Mr Byers has to juggle technical economic questions too. BSkyB has the exclusive rights to show 60 live Premier League matches a season until 2001, having bid £670m (\$1.1 billion) for a



But no celebrations in the boardroom

four-year deal in 1996. Some economists argue that by acquiring Manchester United, which as the most successful and most-screened team gets the biggest slice of TV revenues (about 7%), BSkyB might be able to shut out other television companies when the contract next comes up for auction.

How so? If it owned United, BSkyB would, in effect, get some money back, in the form of United's share of the television revenues, if it won the auction. This would give BSkyB an incentive to bid more aggressively to win a new contract; knowing this, other broadcasters might be scared away, or might bid less than they would otherwise. So ownership of United could allow BSkyB to pick up the rights more cheaply. Nor could other broadcasters fight back by buying another club: because United has the biggest revenues, BSkyB would have the biggest incentive to win the auction.

How important this is, says Paul Klemperer, an Oxford economics professor, depends partly on the rules of the auction. The problem of aggressive bidding crops up mainly in auctions in which bids can be increased. Better, he says, to insist on sealed bids which cannot be revised, so that bids reflect more accurately what the contract is worth to would-be buyers. Bids were sealed in 1996; yet making a permanent commitment to such auctions may be hard if football clubs know that reopening the auction might bring more money in.

Whether or not the MMC's conclusions reflect this precise point, the commission does seem to have decided that the precise design of auctions matters. According to a leak in the *Daily Telegraph*, one option is for BSkyB and United to give undertakings that BSkyB would not have an unfair advantage in bidding for screening rights: for example, United would promise not to tell BSkyB about rival bids. But the MMC doubts that these could be enforced.

Mergers

Byers and sellers

WON one, lost one? On March 17th Manchester United, England's richest football club, reached the semi-finals of the European champions' league by overcoming Internazionale, of Milan. From off the field came rumours of defeat: according to newspaper leaks, the Monopolies and Mergers Commission (MMC) has concluded that an agreed takeover of United