



13 December 05

Nicky Beechey
Chief Adviser
Market Behaviour Group
Commerce Commission
PO Box 2351
Wellington
New Zealand

Dear Miss Beechey

**Commerce Act 1986: Application for authorisation of proposed arrangements –
New Zealand Rugby Football Incorporated (NZRU)**

I refer to your letter of 17 November 2005, in which you sought views and comments on the application from the NZRU seeking authorisation of certain arrangements, including a collective agreement with the Rugby Players Collective Incorporated.

SKY Network Television Limited ("SKY") notes that the NZRU stated in its application that it considers that the proposed arrangements are not subject to the Commission's jurisdiction under the Act. In your letter, you state that the Commission is considering this jurisdictional issue. We have therefore commented on the assumption that the Commission will find that it has jurisdiction. We do not express any view ourselves on this issue.

SKY notes that NZRU listed SKY as an interested party in its application, as a broadcaster. SKY currently has the broadcast rights to Super 14 Rugby, NPC games, and other domestic rugby. It broadcasts these programmes over its sports pay-TV channels. As you may be aware, SKY has recently signed an agreement with Prime Television New Zealand Limited for Prime to re-broadcast free-to-air rugby in 2006.

SKY considers that the arrangements for which the NZRU seeks authorisation will be beneficial. In particular, the proposed salary cap will have the effect of limiting the total salary costs of provincial unions. This makes it more likely that more unions will be able to afford the salaries of premium players, than if the arrangements were not in place. This should reduce the extent to which the best players are contracted to a union, or a couple of unions. As a result more unions should be

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competitive in the new Premier Division, than otherwise. The competition itself should then be more even, with each game likely to be more competitive.

From SKY's perspective, if this outcome eventuates, the competition will become more interesting for TV viewers, attracting higher viewership than if the competition were dominated by a single team or a small number of teams.

To illustrate the link between a competitive or even contest and viewership, we have included in Attachment A the following data:

1. A comparison of the viewership data for the 3 recent ODI matches between the Australian and New Zealand cricket sides. As you can see, the first match, which was a very one-sided affair, had much less viewership.
2. A comparison of the viewership of the Warriors matches in the NRL competition. Viewership of the NRL in New Zealand is highly dependant on the performance of the Warriors. In 2003 when the Warriors were very competitive and winning more matches than not (they won 15 out of 24 first round matches), the viewership was much higher than in 2004 and 2005 when the Warriors were less competitive (the Warriors won 6 out of 24 matches in 2004 and 10 out of 24 matches in 2005).
3. A comparison of the viewership of the initial All Blacks matches in the 2004 season, which indicates that competitive matches (e.g. All Blacks v England) out-rate matches that the All Blacks are expected to win (e.g. All Blacks vs Pacific Islands).

The comments and information in this letter are not confidential.

If you have any questions, please contact myself on 021 613 284.

Yours sincerely



John Fellet

Chief Executive

SKY Network Television Limited

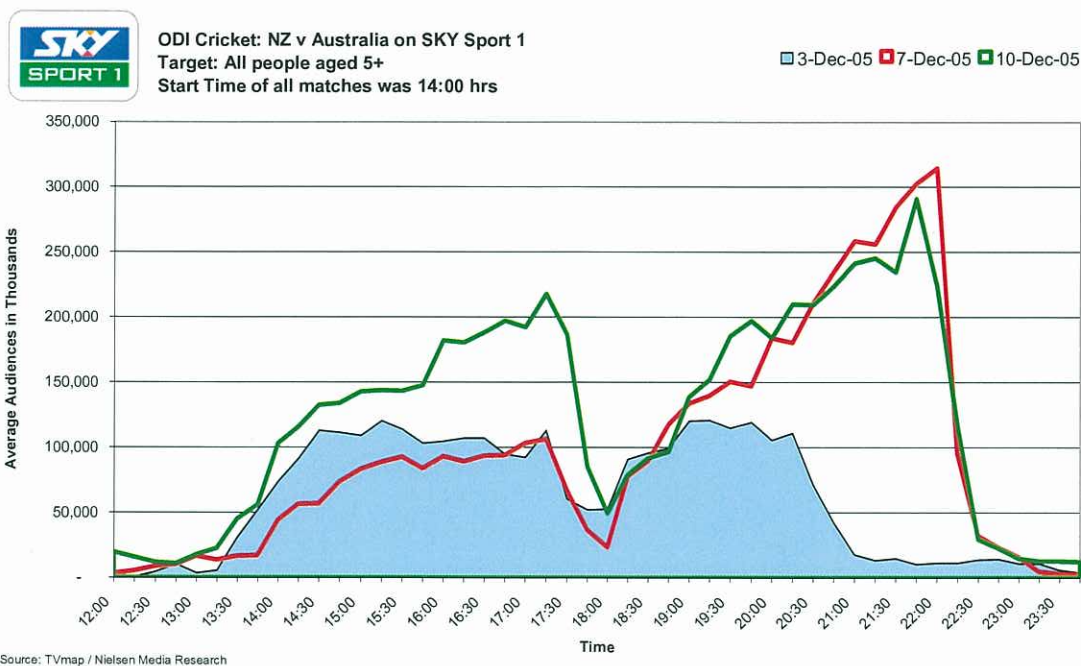
ATTACHMENT A

1. Recent Cricket ODI matches: Chappell / Hadlee Cup, NZ v Australia

Game 1: Sat 3-Dec-05 = Australian whitewash with a NZ batting collapse. Australia won by 147 runs. The highest viewing audience throughout the match was 120,000 viewers at 7pm.

Game 2: Wed 7-Dec-05 = NZ very nearly beat Australia in the final over – missing by only 3 runs. When the game finished just after 10pm, over 300,000 people were tuned in.

Game 3: Sat 10-Dec-05 = NZ won with an over and 2 wickets to spare. At the same time they set a new world record for the highest-ever 2nd Innings in an ODI. Audience levels during the day (1400-1759) were 60% higher than the previous Saturday game. And at night, they were also 60% higher (1800-2059) when game 1 ended at 2051. Of course games 2 & 3 screened until 10pm and audience levels dramatically increased as the games edged nearer to their close finishes.



2. Warrior Matches in NRL – Comparison of viewership for 2003, 2004 and 2005 seasons

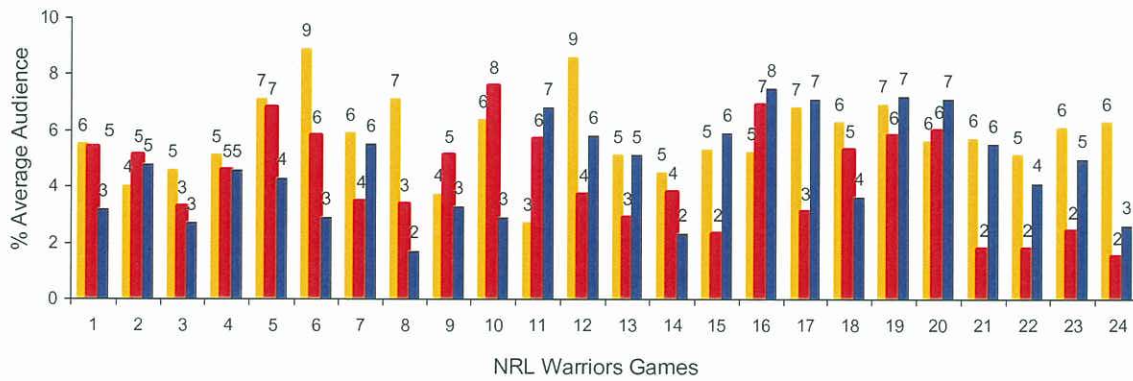
Warriors Ratings per Match

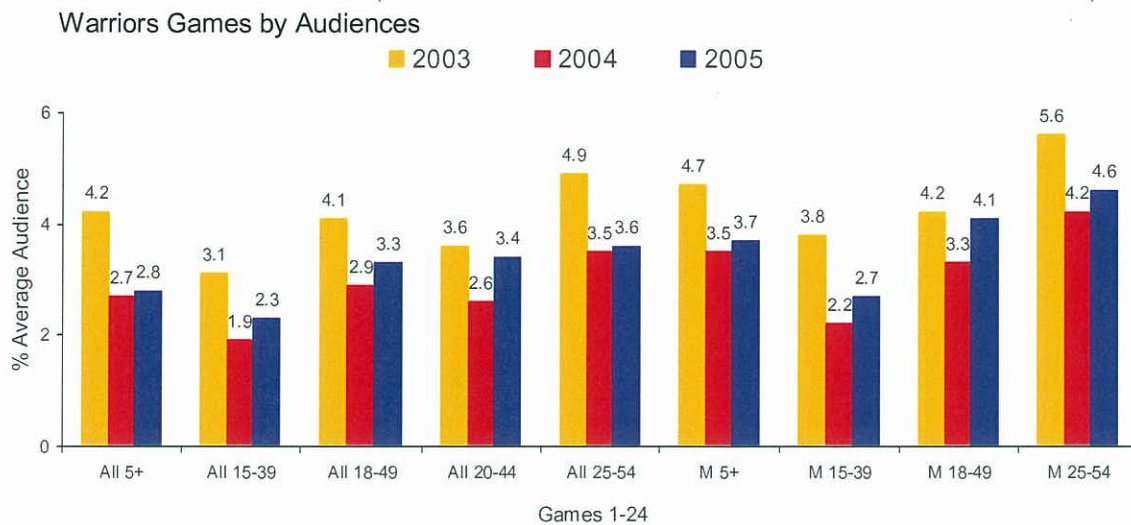
Rounds 1-26 (excludes finals)

- Average Ratings 2003 = 6.0%
- Average Ratings 2004 = 4.2%
- Average Ratings 2005 = 4.6%

Target: Males aged 25-54yrs

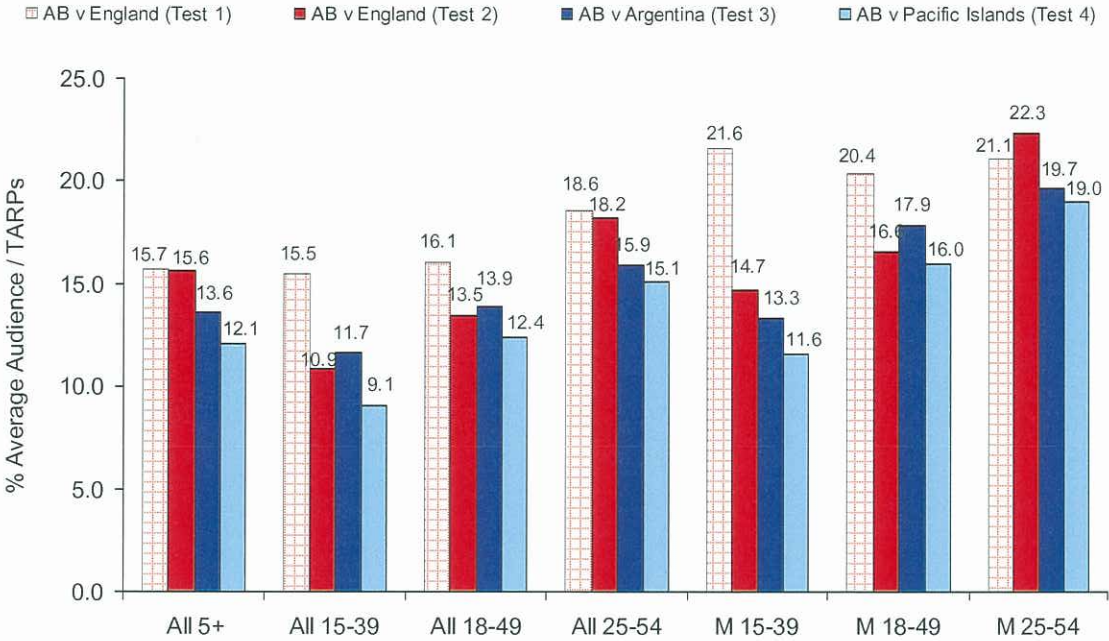
■ 2003 ■ 2004 ■ 2005





3. **Initial All Blacks Games 2004**

2004 Initial All Blacks Tests (prior to Tri-Nations) – games against major rugby nations such as England generally rate higher than against smaller nations such as Argentina or Pacific Islands



Source (for all the above information): **AGB Nielsen Media Research**