

Terms of reference and conduct of the inquiry

1. On 11 October 2012, the OFT sent the following reference to the CC:
 1. In exercise of its duty under section 22(1) of the Enterprise Act ('the Act') to make a reference to the Competition Commission ('the CC') in relation to a completed merger, the Office of Fair Trading ('the OFT') believes that it is or may be the case that:
 - (a) a relevant merger situation has been created in that:
 - (i) enterprises carried on by or under the control of Global Radio Holdings Limited have ceased to be distinct from enterprises previously carried on by or under the control of GMG Radio Holdings Limited; and
 - (ii) as a result, the conditions specified in section 23(4) of the Act will prevail, or will prevail to a greater extent, with respect to the supply of commercial radio based on listening hours in the UK and the supply of radio advertising services in London, the West Midlands, the East Midlands, the North West, Yorkshire, the North East, Central Scotland, South Wales and North Wales; and
 - (b) the creation of that situation has resulted or may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services, including the supply of non-contracted radio advertising services in North Wales, the East Midlands, South Yorkshire and Cardiff.
 2. Therefore, in exercise of its duty under section 22(1) of the Act, the OFT hereby refers to the CC, for investigation and report within a period ending on 27 March 2013, on the following questions in accordance with section 35(1) of the Act:
 - (a) whether a relevant merger situation has been created; and

(b) if so, whether the creation of that situation has resulted or may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods and services.

[SIGNED]
Clive Maxwell
Office of Fair Trading
11 October 2012

Conduct of the inquiry

2. On 11 October 2012, we posted on our website an [invitation to comment](#) on the merger and on 19 October 2012, we published biographies of the members of the Group conducting the inquiry together with a disclosure of interest statement which we subsequently updated on two occasions: 12 December 2012 and 4 January 2013.
3. We received 13 responses to our invitation to comment which were posted on our [website](#).
4. On 1 November 2012, we posted an [administrative timetable](#) for our inquiry and published an update on 22 January 2013.
5. We invited a wide range of interested parties, in particular competitors and customers of Global and RSL, to comment and to fill out a questionnaire on the merger. We gathered oral evidence through hearings with a number of third parties. Summaries of these hearings are on our [website](#). Evidence was also obtained through further written requests.
6. On 21 November 2012, we posted an [issues statement](#) on our website setting out areas of potential concern on which the inquiry would focus. We received three submissions in response. Non-confidential versions of these responses are also published on our website.

7. All members of the Inquiry Group, accompanied by staff, visited RSL's facilities in Wales and Global's facilities in London on 7 and 19 November 2012 respectively.
8. We received a written submission from Global and posted a non-confidential version on our [website](#) on 29 and 30 November 2012.
9. During the course of our inquiry, we sent Global a number of working papers for comment and considered a number of additional submissions from Global and other parties.
10. A non-confidential version of the provisional findings was placed on the CC website on 15 February.
11. We should like to thank all those who have assisted with our inquiry so far.

Interim measures

12. On 18 October 2012 we accepted interim undertakings given by This is Global Limited and Global Radio Holdings Limited. These undertakings included a commitment to continue to retain the services of the Monitoring Trustee appointed by Global Radio Holdings Limited on 29 June 2012, in a manner consistent with the directions in Appendix B of the interim undertakings. The interim undertakings were published on our [website](#) on 25 October 2012.

Industry background

Introduction

1. This appendix sets out details of the commercial radio industry in the UK and its regulatory framework. The structure of the appendix is as follows:
 - (a) Analogue and digital radio broadcasting platforms: paragraphs 2 to 11.
 - (b) The BBC and not-for profit community radio: paragraphs 12 to 14.
 - (c) Relative size of the BBC and commercial radio: paragraphs 15 to 17.
 - (d) Commercial radio licensing: paragraphs 18 to 54.

Analogue and digital radio broadcasting platforms

Analogue

2. Analogue commercial and BBC radio stations broadcast in the UK on both AM (LW and MW) and VHF (FM). MW carries the majority of AM stations on frequencies between 558 and 1611 MHz with VHF/FM stations broadcasting on frequencies between 87.5 and 108 MHz. Stations' services are transmitted via a network of transmission sites across the UK with each station using a subset of this network. These transmission sites are generally owned by a third party (the majority owned and operated by Arqiva) with whom the station must negotiate and pay for broadcast transmission services and network access. The quality of radio reception progressively degrades the further it is from the relevant transmitter as the signal strength decreases and it encounters interference from other radio signals.¹

DAB

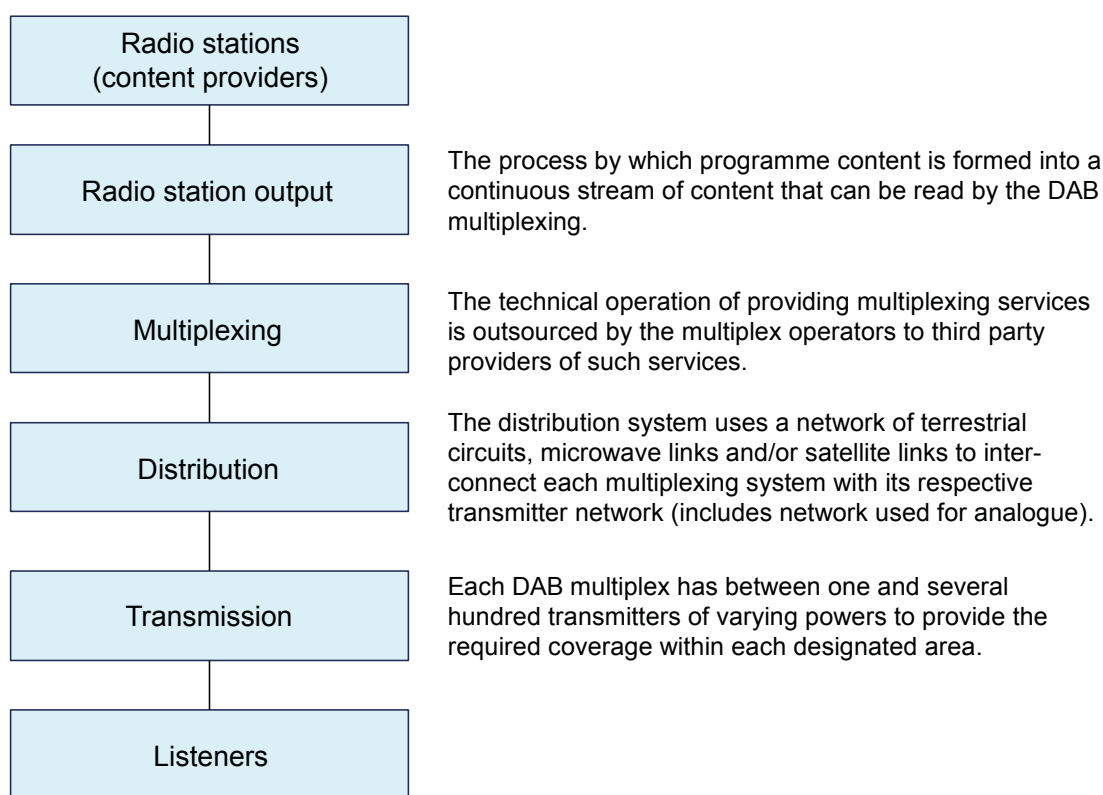
3. DAB is a digital transmission system whereby one or more analogue audio streams are converted to a digital format. The signals are then combined into a single digital

¹ In darkness hours (approximately the period starting 1 hour before dusk and ending half an hour before dawn), 'sky-wave' interference from other transmitters will mean that the coverage area will decrease.

stream. This process is called multiplexing. The multiplexed signal is then conveyed to the transmitter sites via fixed line, microwave or satellite where the digital stream is converted into a digitally encoded frequency. The radio frequencies are allocated in 1.536 MHz blocks. The frequency band used for DAB is 217.5 to 230 MHz. To listen to a desired radio station, the listener requires a DAB radio to receive and decode the multiplexed signal and split out the individual stations. A simplified supply chain for DAB radio is shown below.

FIGURE 1

DAB radio supply chain



Source: CC.

4. DAB allows a number of different radio stations (or other radio signals) to be delivered over the same bandwidth. This increases the number of stations potentially available to the listener and decreases the bandwidth resource requirement in any given area. Also, a DAB radio is capable of receiving and decoding signals from

more than one multiplex (ie on a number of frequencies), further increasing the number of stations that a listener can receive.²

5. The number of radio channels on a given multiplex depends on the type of channel transmitted. This is because each frequency 'block' has a set available capacity and a radio station's capacity requirements are different according to its output (eg a music station typically requires greater capacity than a talk station). Multiplexes operated in the UK are each able, at present, to accommodate around 10 to 12 radio stations.
6. There are relatively few digital-only radio stations/services in the UK, with most services broadcast digitally being a 'simulcast' of the analogue service. However, not all analogue services are simulcast on the DAB platform.

Digital switchover

7. While the transition to digital television services completed in 2012, the transition to digital for radio is progressing at a slower rate. Nevertheless, the Government has said that it is committed to a digital future for radio,³ and it believes that a switchover process is the most likely way to deliver a transition to digital radio in a coordinated way.⁴
8. The Government will make an in-principle decision by the end of 2013 on digital radio switchover. In the event of a positive decision, a date for switchover would be set once listening and coverage criteria are met. The criteria are:

² Depending on their location, a listener may be able to receive signals from the BBC multiplex, a national commercial multiplex, a regional multiplex and one or more local multiplexes (depending on overlaps between frequencies at this level).

³ The Government considers that digital offers opportunities for radio to innovate and grow as the increased capacity of digital allows for more content and functionality, connecting radio with listeners in new ways and opening up new business opportunities for broadcasters.

⁴ The latest version of the Government's Digital Action Plan, designed to provide Government with the information necessary to enable it to make an informed decision on whether to proceed with a radio switchover and broadly how to implement it, was published on 7 October 2012 by the Department for Culture Media and Sport:

www.culture.gov.uk/what_we_do/broadcasting/7228.aspx.

- (a) 50 per cent of all radio listening being via digital platforms; and
- (b) national DAB coverage being comparable to FM, and local DAB reaching 90 per cent of the population and all major roads.

9. Once these criteria are met, a date for switchover will be set but any such date will be at least two years after such an announcement. Switchover will mean that all national and large local BBC and commercial services will become digital only, leaving only small-scale commercial and community services on FM.
10. Ofcom’s Communications market: Digital Radio Report 2012⁵ shows that currently only 30 per cent of all radio listening is via digital platforms and that although DAB multiplex coverage of households in terms of BBC national radio services is over 90 per cent (94.3 per cent), it is only 84.6 per cent for national commercial services and 66.4 per cent for local multiplexes.⁶ Table 2 shows the share of listening hours across digital and analogue platforms from Quarter 1 2008 to Quarter 1 2012. Ofcom told us that, based on current trends, the listening criteria could be met in 2016.⁷

TABLE 1 Share of listening hours across analogue and digital platforms

	<i>per cent</i>				
	Q1 2008	Q1 2009	Q1 2010	Q1 2011	Q1 2012
Analogue	72.7	67.5	66.7	65.4	63.1
Unspecified	9.5	12.5	9.3	8.1	7.7
Digital	17.8	20.1	24.0	26.5	29.2

Source: Ofcom Communications Market Report 2012, Section 3, Figure 3.37.

Note: Unspecified relates to listening where the radio platform was not confirmed by the listener.

⁵ <http://stakeholders.ofcom.org.uk/market-data-research/other/radio-research/digital-radio-reports/digital-radio-2012/>.

⁶ Ofcom—*The Communications Market: Digital Radio Report*, 17 October 2012.

⁷ Ofcom noted that the listening criteria for digital switchover could occur before 2016 as a result of industry initiatives which encourage take-up, eg In July 2012, DCMS, the BBC, Ofcom, Arqiva, local radio multiplex operators and the Adjudicator for broadcast transmission services of Ofcom signed a Memorandum of Understanding on ‘Local DAB Funding for Radio Switchover’. This sets out the funding mechanisms for build-out of local DAB coverage to at least 90 per cent of the population, and for any build-out of this coverage from 90 per cent to FM equivalence before March 2017 and the process for how costs will be apportioned beyond March 2017 up to the end of the existing or renewed multiplex licences.

Other radio platforms

11. Radio services may also be distributed via digital television (DTV) platforms (cable, satellite and Freeview) as well as online. However, we are not aware of any significant services that are provided solely in this way.

BBC and not-for-profit community radio

12. In paragraphs 13 and 14 we set out details of the two categories of radio broadcasting service provider outside of commercial radio in the UK: the BBC and not-for-profit community radio providers.

BBC

13. The BBC commenced broadcasting on AM in 1922 and on FM in 1955. It provides UK-wide, national and regional/local radio through a combination of AM and FM frequencies (30 AM and 50 FM⁸), as well as digital frequencies. The BBC's UK-wide analogue stations are Radio 1, 2, 3, 4 and 5 Live. The BBC refers to its national stations as Nation stations: these comprise Radio Scotland, Radio nan Gàidheal, Radio Wales, Radio Cymru and Radio Ulster/Foyle. All of the BBC's national analogue services are simulcast on digital platforms, but the BBC also has six services/stations that are available on digital only: BBC Radio 1Xtra, Radio 5Live Sports Extra, BBC Radio 4 Extra, BBC Asian Network, BBC World Service and BBC 6 Music. In addition, BBC Asian Network is provided on digital, but also on AM in some parts of the country. All of the BBC's radio services are also broadcast on the Internet.

⁸ BBC www.bbc.co.uk/radio/info/frequencies.shtml. In determining the number of AM stations, we have split Radio 4 into ten separate stations (one LW and nine MW representing the different distinct areas covered on different frequencies). Where an AM or FM station has multiple frequencies but only covers one distinct area (eg BBC Radio Leeds has two FM frequencies), this has been counted as one station.

Community radio

14. Not-for-profit community radio stations tend to be local in nature, typically covering a small geographical area with a radius of up to 5 kilometres and generally on an analogue platform. There are 201 community radio stations on air.⁹

Relative size of commercial radio, BBC and community radio

15. Table 2 shows the percentage share of listening hours over the period 2007 to 2011 between the BBC, commercial radio and other (community radio). It shows that the BBC over the period has consistently around 55 per cent of UK listening hours. The Other category is immaterial at around 2 per cent compared with the BBC and commercial radio.

TABLE 2 **Share of listening hours, 2007 to 2011**

	<i>per cent</i>				
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
BBC	55.1	55.7	55.3	55.2	54.7
Commercial	42.7	42.2	42.3	42.6	43.0
Other	2.1	2.1	2.4	2.2	2.3

Source: Ofcom Communications Market Report 2012 Section 3 figure 3.32.

16. Table 3 shows the split of listening hours for the BBC and commercial radio by sector.

⁹ Ofcom Communications Market Report 2012 Section 3. Figures as at May 2012

TABLE 3 Share of all listening hours (analogue and DAB), by sector, for Q1 2011 and 2012

	<i>per cent</i>				
	<i>All BBC radio</i>	<i>All commercial</i>			
Q1 2011	54.7	43.0			
Q1 2012	55.4	42.3			
	<i>BBC network*</i>	<i>BBC Nations†/ Local‡</i>	<i>National commercial</i>	<i>Local commercial</i>	<i>Other</i>
Q1 2011	46.0	8.7	11.8	31.2	2.3
Q1 2012	45.9	9.4	12.0	30.3	2.4

Source: Ofcom Communications Market Report 2012 Section 3 Figure 3.32.

*UK-wide analogue and digital stations.

† Includes BBC's Radio Scotland, nan Gàidheal, Wales, Cymru, Ulster/Foyle.

‡ BBC local radio, eg Essex, Tees, Bristol etc.

17. The relative size of the three broadcasting groups can also be seen in their respective expenditure/revenue figures for 2010 and 2011 as shown in Table 4. The primary source of revenue for the BBC is the licence fee.

TABLE 4 Radio industry revenue and spending, 2010 and 2011

	<i>£ million</i>	
	<i>2010</i>	<i>2011</i>
BBC expenditure (estimated*)	685	706
Total commercial revenue†	438	456
Community radio revenue‡	10	10.5
Total	1,133	1,172.5

Source: Ofcom Communications Market Report 2012, Section 3, Figure 3.1.

*BBC expenditure figures are estimated by Ofcom based on figures in Note 2c of the BBC Annual Report (www.bbc.co.uk/annualreport).

†Broadcasters' return to Ofcom.

‡Community broadcasters' returns to Ofcom. Community radio is funded mainly through a mixture of advertising revenue (average of 26 per cent) and grants (average of 33 per cent). Remaining revenue is a mixture of local authority funding (through Service Level agreements), donations and other revenue. Advertising revenue is limited to 50 per cent of a community radio station's income.

Commercial radio regulation

18. The following section sets out the process for obtaining a commercial radio broadcast licence, both analogue and digital, and the requirements with regard to content within a licence. The section is structured as follows:

(a) commercial analogue licences, paragraphs 19 to 37:

- (i) licence awards and renewals, paragraphs 20 to 23;
- (ii) licensed area, paragraph 24;

- (iii) format, paragraphs 25 to 27;
 - (iv) localness requirements, paragraphs 28 to 35; and
 - (v) change of control, paragraphs 36 and 37;
- (b) DAB licensing, paragraphs 38 to 46:
- (i) multiplex licences, paragraphs 39 to 44; and
 - (ii) digital sound programme (DSP) licences, paragraphs 45 and 46; and
- (c) licence costs, paragraphs 47 to 54.

Commercial analogue licences

19. A commercial radio licence allows a licence holder to broadcast to a specific licensed area in accordance with a specified format for a set period of time. Details of the features of a commercial licence are set out in the following section. A map of UK analogue commercial radio licences by size, ownership and licence area is shown at [Annex 1](#).

Licence awards and renewals

20. Licences for national radio services are awarded by Ofcom by auction in principle to the highest bidder.¹⁰ Licences for local radio services are awarded via a beauty parade. Applications are judged by reference to four statutory criteria:¹¹
- (a) the licensee's ability to maintain the service;
 - (b) the extent to which the service would cater for local people's tastes and interests;
 - (c) the extent to which the service would broaden the range of programmes in the area; and
 - (d) the extent to which there is evidence of local demand or support for the service.

¹⁰ Section 100 of the Broadcasting Act 1990 provides Ofcom with an ability to prefer applicants who propose simulcast services. Before the cash bid is considered, the applicant must fulfil the requirements set out in Ofcom's notice inviting applications as to the character of the service and, if there is an existing licensed national service, cater for different tastes and interests. Ofcom will also have to be satisfied that the prospective licensee will be able to maintain the service and any proposed simulcast service throughout the licence period.

¹¹ Section 105 of the Broadcasting Act 1990.

21. The prospective licensee must also not fall within the categories of persons that are disqualified from holding licences under the Broadcasting Act.¹²
22. Ofcom told us that it did not plan to advertise any new national or local analogue licences for commercial radio. The last new local commercial licence to be awarded was in 2008 for North and Mid Wales.¹³
23. Licences are awarded for a set period of time. The three national licences run until 2018 and may be renewed on two occasions (first for 12 years and then for a further 7 years).¹⁴ This process is essentially automatic provided the licensee is already or commits to simulcasting the service in DAB. Local analogue radio licences are awarded for up to 12 years, after which they are, in principle, readvertised. However, again if an analogue station also broadcasts on DAB, the licence can be renewed automatically.¹⁵ Local licences may also be renewed automatically for 12 years and then a further 7 years if they broadcast on a relevant local multiplex.^{16,17}

Licensed area

24. Every commercial radio licence relates to a specific licensed area over which the licensee is permitted to broadcast. In practice and for marketing purposes, the area within which an adequately audible signal is heard, the TSA, is larger than the

¹²The rules on disqualification are set out in Schedule 2 to the Broadcasting Act 1990 and apply to certain licences held under both the Broadcasting Act 1990 and the Broadcasting Act 1996. Broadly, the categories of persons who may be disqualified are: (a) local authorities; (b) bodies wholly or predominantly political in nature; (c) religious bodies (in the case of national radio licences and radio multiplex licences); (d) publicly-funded bodies; (e) the BBC and the Welsh Authority; and (f) advertising agencies. There is also a general ground of disqualification on the grounds of undue influence, essentially owners whose influence may cause concern. The Secretary of State has a power to make an order prohibiting the holding of more than a specified number of local sound broadcasting licences, or of just one local sound broadcasting licence. This power has been used to prevent a body corporate from holding more than one community radio licence at a time (Community Radio Order 2004 (SI 2004/1944)). There is a separate power to limit the number of local digital sound programme services that a person is permitted to provide.

¹³ The FM local commercial radio licence for North and Mid Wales was awarded on 9 December 2008 to Real Radio Limited.

¹⁴ Sections 103A and 103B of the Broadcasting Act 1990.

¹⁵ Sections 104A and 104B of the Broadcasting Act 1990.

¹⁶ Should the Secretary of State determine in the case of digital switchover that it was no longer appropriate for these services to continue to be broadcast on analogue, a two-year notice period would be served on the licensee thereby shortening the duration of the analogue licence.

¹⁷ When licences that are not to be renewed automatically reach the end of their term, they are generally pre-advertised to assess likely demand. If the incumbent licensee is the only body to declare an interest, then a 'fast-track' reaward process is implemented.

licensed area, the measured coverage area (MCA).¹⁸ Beyond this area, the radio signal steadily degrades as the receiver increases in distance from the transmitter antenna. Only the MCA is protected from interference, not the TSA.¹⁹

Format

25. The output of every commercial radio station is regulated by a one-page format document which is part of the licence. This encapsulates the overall 'character of the service' a station is obliged to deliver as a condition of its licence, and also sets out the station's minimum hours of locally originated programming and its local news requirements. It also provides details of any programme-sharing and/or co-location arrangements that may be in place.²⁰
26. Under section 106(1A) of the Broadcasting Act 1990, Ofcom can consent to changes to the character of licensed services, if it is satisfied that:
- (a) the change would not substantially alter the character of the service;
 - (b) the change would not narrow the range of programmes available by way of relevant independent radio services to persons living in the area or locality for which the service is licensed to be provided;
 - (c) in the case of a local licence, the change would be conducive to the maintenance or promotion of fair and effective competition in that area or locality;
 - (d) in the case of a local licence, there is evidence that, among persons living in that area or locality, there is a significant demand for, or significant support for, the change; or
 - (e) in the case of a local licence:

¹⁸ The vicinity in which the signal strength from a service is strong enough to deliver adequate reception for potential listeners.

¹⁹ This has the effect of maintaining the station's quality and ability to broadcast on its given frequency.

²⁰ The formats of each station may be found on Ofcom's website: www.ofcom.org.uk/static/radiolicensing/amfm/analogue-main.htm. For example, Global's capital FM Birmingham station's format sets out: licensed area Birmingham; MCA population 1,223,555; frequency 102.2 MHz; digital simulcast no; service duration (hours) 24; studio location local; local weekday daytime hours 7; local weekend daytime hours 4; programme sharing no; standard local news requirements yes; character of service a rhythmic-based music-led service for 15–29-year-olds supplemented with news, information and entertainment. The service should have particular appeal for listeners in their 20s and at least 12 hours a week of identifiable specialist music programmes and include programmes of specific appeal to listeners of African or Afro-Caribbean origin.

- (i) the change would result from programmes included in the licensed service ceasing to be made at premises in the area or locality for which the service is provided; but
- (ii) those programmes would continue to be made wholly or partly at premises within the approved area.²¹

27. In considering the character of a service from this perspective, Ofcom must have regard, in particular, to the selection of spoken material and music included in the service.²² Only one of the five criteria needs to be met by the request, but even if that is the case, Ofcom still has the discretion to reject it.²³ Ofcom must carry out a public consultation unless it believes that the proposed change would not substantially alter the station's character of service or it relates to a change to a station's location within an 'approved area'.²⁴

Localness

28. Ofcom has a duty to secure that local commercial radio stations provide an appropriate amount of programmes including local material and, where such programmes are included in the service, that a suitable proportion of them are locally made (localness).²⁵

29. Ofcom publishes localness guidelines, as required by the Communications Act 2003.²⁶ These explain that local content can be delivered in a number of ways with

²¹ An approved area is defined in section 314(7) of the Communications Act 2003 and essentially refers to the wider areas approved by Ofcom for co-location and programme sharing.

²² Section 106(1B) of the Broadcasting Act 1990.

²³ In reaching its decision, Ofcom will take a number of factors into account, including: the extent of the impact of the change on the character of the service, the length of time since the award of the licence, the considerations taken into account when the licence was originally granted, the views of listeners and stakeholders, the avoidance of 'format creep', whether the station is AM or FM, and other statutory obligations (for example, in relation to localness):

<http://stakeholders.ofcom.org.uk/broadcasting/radio/formats-content/changes/>.

²⁴ Section 106ZA of the Broadcasting Act 1990.

²⁵ Section 314 of the Communications Act 2003. Section 314 defines 'local material' as material which is of particular interest to those living or working within (or within part of) the area or locality for which the service is provided or to particular communities living or working within that area or locality (or a part of it).

²⁶ Ofcom's guidelines on localness can be found at <http://stakeholders.ofcom.org.uk/broadcasting/radio/localness/localness-guidelines>.

the balance for each station to determine. For example, it can include local news, local information, comment, outside broadcasts, charity involvement, airplay for local musicians, local arts and culture and sports coverage. Locally-made programmes are those made within a station's licensed area or an area approved by Ofcom under the Digital Economy Act 2010.²⁷ Where Ofcom has approved a wider area within which programming can be shared (see paragraph 34 below), this requirement would apply with respect to that wider area. The extent of licence requirements in relation to locally-made programmes depends on the licensed format of the station.

30. Regulatory requirements in relation to localness were relaxed in 2010, following the entry into force of the Digital Economy Act 2010, having regard to falling revenues in the sector, the fact that a number of licences had been surrendered²⁸ and more generally a concern for the financial viability of some local commercial radio stations.²⁹
31. As a result of these changes, each local FM station is required to produce a minimum of 10 hours a day of locally-made programmes during weekday daytimes including breakfast.³⁰ However, where an FM station provides an enhanced news service,³¹ that station need only produce a minimum of 7 hours a day of locally-made programmes during weekday daytimes. FM stations are also required to produce a minimum of 4 hours a day of locally-made programmes at weekends (in daytime).
32. Ofcom told us that most commercial stations took advantage of this change, reducing local hours on FM stations from between 13 and 20 a day on weekdays to between 7 and 10.

²⁷ Section 314(7).

²⁸ Eight licences were surrendered in the period 2008 to September 2009.

²⁹ Media ownership rules in relation to local radio were also relaxed at around the same time (see the Media Ownership (Radio and Cross-media) Order 2011, SI 2011/1503).

³⁰ 6am–7pm.

³¹ An enhanced news service should broadcast local news at least hourly during daytime on weekdays (6am–7pm) and throughout peak-time (late breakfast) at weekends.

33. AM stations generally need not produce locally-made programmes or broadcast local material. However, at a national level, each AM station should produce a minimum of 10 hours of programmes during weekday daytimes from within the nation where the station is based.³²
34. Ofcom's localness guidelines were also changed to allow FM local stations to co-locate and request to share all of their programming within areas approved by Ofcom, effectively allowing them to come together to become larger, more viable stations. These 'approved' areas were approximately county-sized although some extended over two or more counties. Stations with around 100 licences (within a total of 296 licences) took advantage of this. For example, Global's Heart-branded services are broadcast in 33 licensed areas. Previously, each of these had to carry separate local programming. As a result of the regulatory changes introduced following the Digital Economy Act 2010, these were consolidated into 13 services.³³
35. As a further deregulatory measure, Ofcom allowed existing regional analogue stations to share all of their programming: in return for providing a version of their programme service on a national DAB multiplex,³⁴ all local programming requirements were removed from the relevant licences. Two services have taken advantage of this: Smooth (operated by RSL) and Kiss (Bauer).

³² No station was required to produce more programming from within each nation than it did at the time the changes were introduced.

³³ For example, there were separate Heart services in Plymouth, Exeter, South Hams and Barnstaple, which have now been consolidated into a single Heart service for the whole of Devon.

³⁴ Ofcom considered that such a development could bring competition and choice in national services, a greater range and diversity of content for consumers, and the potential for new investment in programming. When carried on national DAB, these stations' local content would become less of a defining characteristic.

Change of control of a radio licensee

36. Licensees are required to notify Ofcom of proposed changes of control relating to the licence. When control of an analogue radio licence changes,³⁵ Ofcom must carry out a review of the effects or likely effects of the change on:
- (a) the quality and range of programmes included in the service;
 - (b) the character of the service; and
 - (c) the extent to which Ofcom's duty relating to securing localness under section 314 of the Communications Act 2003 is performed in relation to the service.³⁶
37. Ofcom must determine whether the change of control would be prejudicial to any of the three matters listed above. If it decides that it would, then it must amend the licence to prevent such prejudice. However, any amendments may only reflect what the previous owner was actually delivering during the three months before the change of control.³⁷

DAB licensing

38. Unlike analogue radio where there is no separate licence to operate the broadcast platform, there are two tiers of DAB licence. First, those wishing to provide a multiplex service in a given area must apply to Ofcom for a multiplex licence. There is generally one local multiplex licence in each part of the UK and these are generally about the same size as a county. Second, those wishing to provide a radio service must apply to Ofcom for a (DSP) licence. The DSP licensee must apply to the multiplex licence holder to broadcast on the multiplex platform.

³⁵ Change of control can occur either as a result of transferring the licence out of one entity and into another or, more commonly, a change in ownership of the licence-holding company resulting from a share transaction.

³⁶ Section 355 of the Communications Act 2003.

³⁷ A different three-month period within the 12 months prior to the change may be used if the three-month period immediately prior to the change of control was not typical.

Multiplex licences

39. Multiplex services are provided and licensed in terms of national, regional and local (typically county-wide) coverage. Multiplexes currently licensed and in operation together carry over 160 stations. In summary, the national, regional and local licences are as follows:

(a) *National*. There are two multiplex licences, one of which is used by the BBC and the other, Digital One, is used by commercial stations.³⁸ The Digital One licence carries 12 stations.³⁹

(b) *Regional*. There are currently six regional multiplex licences (in north-west England, north-east England, Yorkshire, West Midlands, the Severn Estuary and Central Scotland). The first five of these are held by MXR Limited (a wholly-owned subsidiary of MXR Holdings Limited, a joint venture in which Global and RSL have a combined stake of 88 per cent⁴⁰ and Arqiva has a 12 per cent stake). The last regional multiplex licence is held by Switch Digital, which is owned by UTV. MXR has decided not to renew four of its five licences which expire in 2013,⁴¹ which will reduce the number of regional licences to two. [X] Ofcom said that the frequencies released by the closure of the MXR regional multiplexes will not be readvertised but will be used to reinforce the coverage of the local multiplexes around the UK, allowing DAB to match FM coverage and meet the digital radio switchover criteria.⁴² The services currently carried on these licences will be likely to move to local DAB multiplexes reducing the current capacity at this level.

³⁸ Digital One is owned and operated by Arqiva.

³⁹ Classic FM, talkSPORT, Absolute Radio, Absolute 80s, Absolute 90s, BFBS (British Forces Broadcasting Service), Premier Christian Radio, UCB (United Christian Broadcasters), Smooth Radio (simulcast service only in certain parts of the UK), Smooth 70s, Jazz FM and Planet Rock. A second national commercial multiplex licence was awarded to 4 Digital Group (led by Channel 4) in 2008 but this was never launched and the licence was handed back.

⁴⁰ Global 51 per cent, RSL 36.8 per cent.

⁴¹ The licences which will not be renewed and their expiry dates are: North East expires on 29 July 2013; North West expires on 24 September 2013; West Midlands expires on 27 August 2013; and Severn Estuary expires on 29 July 2013. The only remaining MXR regional licence is Yorkshire, which expires on 25 June 2015.

⁴² This is consistent with Ofcom's 2009 proposals which contemplated allowing, if spectrum could be secured, the six existing regional multiplexes (plus one of the three London multiplexes) to combine and extend their areas to form a single national multiplex with the ability to offer regional opt-out programming and advertising.

(c) *Local*. There are 40 local multiplex licences, each of which has approximately the same coverage as the original local FM service in that area. There is one multiplex per area, except for London which has three. Many of the local multiplexes in the Midlands and South of England are held by NOW Digital, owned by Arqiva (which bought the licences from Global in 2009). Most of the multiplexes in the North of England, Scotland and Northern Ireland are held by Bauer. A few local multiplexes are held by UTV and 12 multiplexes have been licensed but have not yet launched (eg Oxfordshire, Northamptonshire, North Wales). These were awarded either to Arqiva or to an independent company, MuxCo. Over the next two years, Ofcom expects these multiplexes to launch their services,⁴³ which would almost complete the layer of local multiplexes across the UK.

40. Ofcom told us that in the major metropolitan areas, capacity on existing multiplexes was fully used, while in more rural areas there was spare capacity.⁴⁴
41. At [Annex 2](#) is a map showing current UK regional and local multiplexes.
42. Multiplex licences are for an initial duration of 12 years, with a right to renew generally for a further 12 years, subject to providing Ofcom with an acceptable technical coverage plan.⁴⁵ The last multiplex licence awarded was for North Wales in June 2008 (MuxCo Wales Limited). Ofcom told us that the only remaining unlicensed areas would be Cumbria, Suffolk, the Scottish Borders and the west coast and islands of Scotland. There are plans to advertise local multiplexes in Cumbria and Suffolk, but not in the west coast and islands of Scotland.

⁴³ Oxfordshire, Gloucestershire, Herefordshire & Worcestershire, Northamptonshire, north-east Wales & West Cheshire, north-west Wales, mid and west Wales, Surrey & north Sussex, north Yorkshire, Somerset, Lincolnshire, and Herts, Beds & Bucks.

⁴⁴ Global told us that currently there was some spare capacity on the London 2 and London 3 multiplexes.

⁴⁵ Section 58 of the Broadcasting Act 1996.

43. Ofcom may advertise a second national commercial multiplex at some point, but there are no plans to do so at present. As a result of this, there is little scope for any further services to launch, particularly at a national or quasi-national level.
44. Ofcom does not determine which stations should be carried on a multiplex. It is for the multiplex operator to contract with individual service providers. However, a multiplex licence includes conditions requiring the broadcast of services with the characteristics described in the initial application. For example, MuxCo proposed to launch six digital sound programme services, a podcast service, BBC Radio Wales and BBC Radio Cymru on the new North Wales multiplex.

DSP licences

45. Individual stations need a DSP licence⁴⁶ to broadcast either a national or local service on a digital multiplex. There are no content requirements and, subject to Ofcom judging the prospective licensee to be a 'fit and proper person', the licensee need only ensure that it is not disqualified from holding a licence under the Broadcasting Act. DSP licences do not have a fixed duration. One licence covers all the DSP provided by the licensee on any number of multiplexes but a separate licence is required for local and national services.
46. A licence does not grant a 'right' to broadcast; and carriage on a multiplex is dependent on agreement with the multiplex operator. However, multiplex operators are required by the terms of their licences not to show undue discrimination either against or in favour of a particular DSP licensee,⁴⁷ in addition to the standard con-

⁴⁶ Section 60 of the Broadcasting Act 1996. See also DSP guidance notes: http://licensing.ofcom.org.uk/binaries/radio/digital/dsp_das.pdf.

⁴⁷ Section 54(1)(e) of the Broadcasting Act 1996.

dition not to enter into arrangements prejudicial to fair and effective competition in the provision of licensed services or of connected services.⁴⁸

Licence costs

47. All local analogue licences and DAB multiplex licences are awarded through a 'beauty contest'. All applicants must pay an application fee to Ofcom based on the analogue commercial radio population (aged 15+) in the MCA. A national AM or FM licence application fee is £100,000 with applications for local licences costing between £1,500 and £21,200 for FM and between £1,000 and £14,500 for AM licences. The national DAB multiplex licence application fee is £50,000, with application fees for local multiplexes ranging from £1,000 to £25,000.
48. On award, the successful applicant pays an annual broadcast licence fee, which is calculated as a percentage of relevant turnover of the licensee.⁴⁹ Analogue fees are based on three bands by reference to the licensee's relevant turnover: £0 to £1 million, £1–£5 million and over £5 million, whilst annual multiplex fees are fixed at £10,000 for national and £500 for local multiplexes. In addition, an annual Wireless Telegraphy Act 2006 licence fee in respect of access to the radio frequency spectrum⁵⁰ is payable based on the population served by the station.
49. Tables setting out licence, broadcast and spectrum fees are at [Annex 3](#).
50. There are no other regulatory costs directly levied on commercial radio broadcasters. However, the Government requires Ofcom to publish a Broadcasting Code which applies to the broadcasts by television and radio operators in the UK. Licensees may incur costs in complying with the Code and/or penalties including financial penalties

⁴⁸ Reflecting Section 316 of the Communications Act 2003.

⁴⁹ Definition of relevant turnover can be found at:

http://stakeholders.ofcom.org.uk/binaries/consultations/socp/statement/charging_principles.pdf, Annex C.

⁵⁰ Fee is based on the analogue commercial radio population in the relevant MCA.

for failure to do so.⁵¹ There are also licence obligations to broadcast local programming and be based in an approved area, as appropriate, based on section 314 of the Communications Act 2003 and implemented via licensees' own proposals in their applications. These proposals may be subsequently amended.

51. Table 5 sets out the fees paid and payable for each of the last five new or re-advertised licences issued by Ofcom. All of these are new analogue licences.

TABLE 5 Last five commercial station awards fees charged

New licence awards	Year	MCA	Application fee £	Broadcast % of RT*	Licence fees	
					Wireless Telegraphy Act £	
Bath†	2011	82,433	1,500	0.212		339
North & Mid Wales	2008	650,000	5,000	0.212		2,884
Plymouth	2008	248,076	1,500	0.212		848
South Wales	2007	1,237,568	11,800	0.318		5,938
Manchester	2007	1,518,948	11,800	0.212		7,465

Source: Ofcom.

*Relevant turnover.
†Readvertised licence.

52. In respect of digital entry costs, a new entrant needs to pay the multiplex licence holder for use of the licence spectrum. Bauer told us that the cost of a standard stereo station slot on a regional digital multiplex could range from approximately £[redacted] to £[redacted], depending on the location. A slot on the national commercial multiplex would be likely to cost in the region of £[redacted] or more (the actual price normally being determined by auction).

53. We note that section 54(1)(e) of the Broadcasting Act 1996 provides that the regulatory regime for each licensed service shall include the conditions that Ofcom considers appropriate for securing:

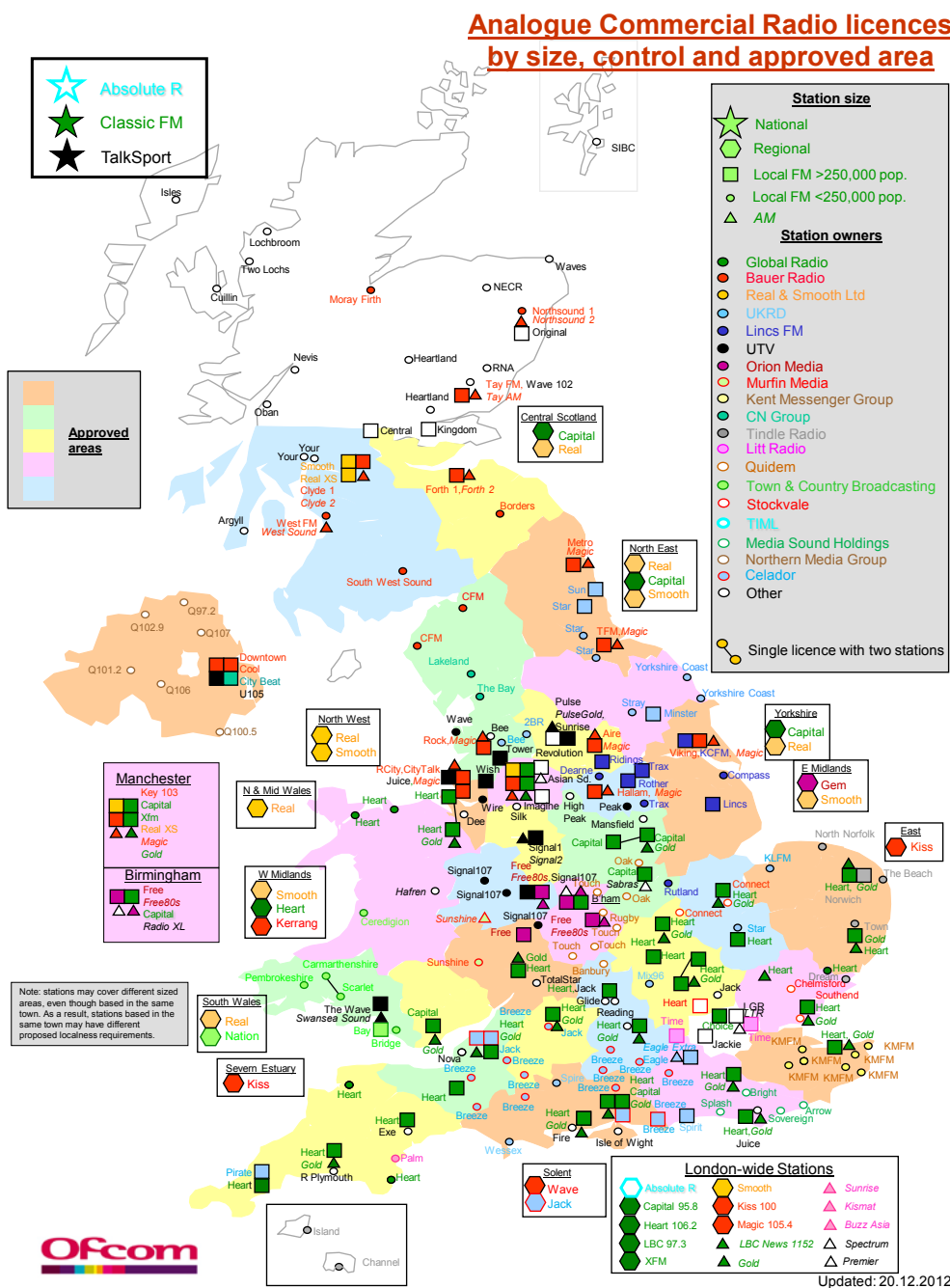
that in the terms on which the holder of the licence contracts, or offers to contract, for the broadcasting of digital sound programme services or

⁵¹ <http://stakeholders.ofcom.org.uk/broadcasting/broadcast-codes/broadcast-code/>.

digital additional services, he does not show undue discrimination either against or in favour of a particular person providing such a service or a class of such persons.

54. In addition, section 316 of the Communications Act 2003 provides that the regulatory regime for each licensed service must include conditions that Ofcom considers appropriate for ensuring fair and effective competition in the provision of licensed services or of connected services. Each local multiplex licence contains a condition relating to 'fair and effective competition' which is derived from these two statutory provisions. As such, although the fees charged may be set by auction, a licence holder cannot unduly discriminate against a new entrant who is willing to pay the going rate for that licence's spectrum.

Analogue commercial radio licences by size, control and approved area



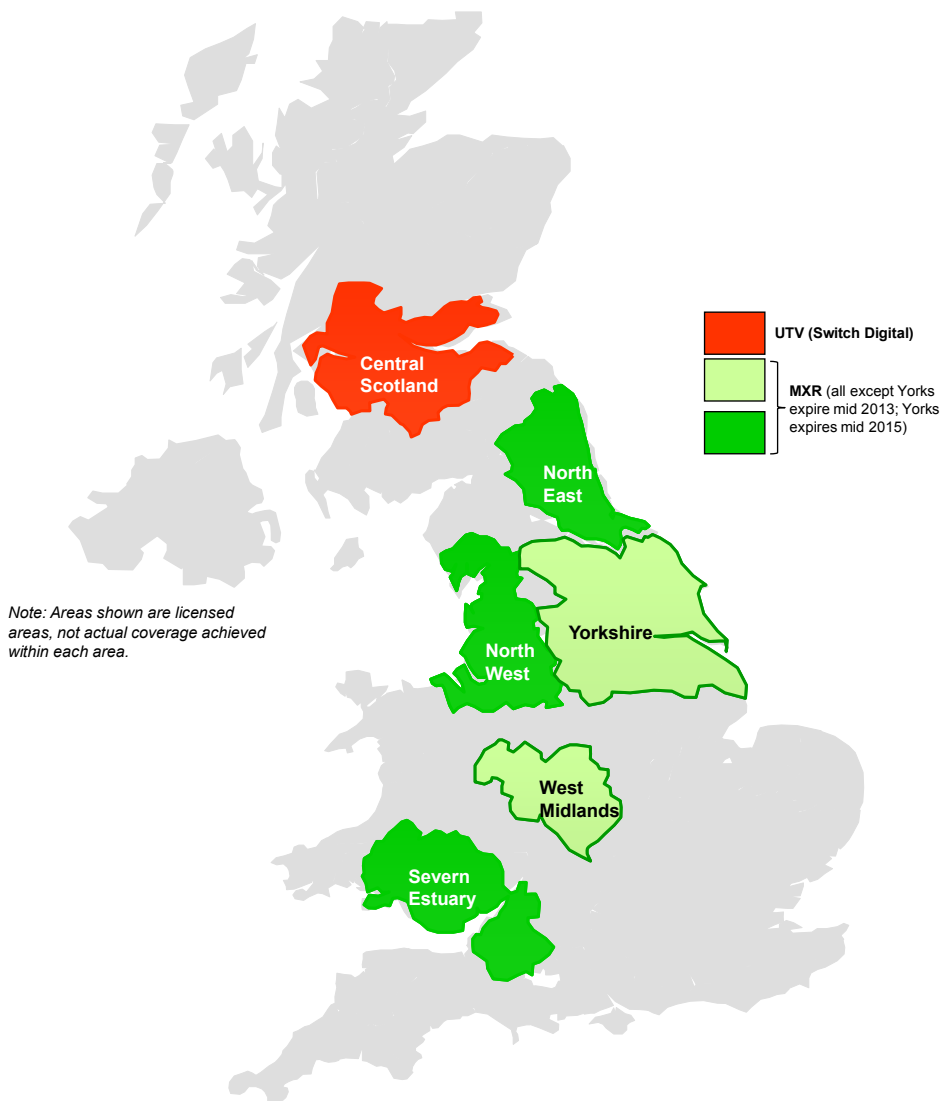
Source: Ofcom.

Note: Map shows individual licences, regardless of whether they are sharing programmes.

UK current regional and local multiplexes

FIGURE 1

DAB – Current Regional Multiplexes

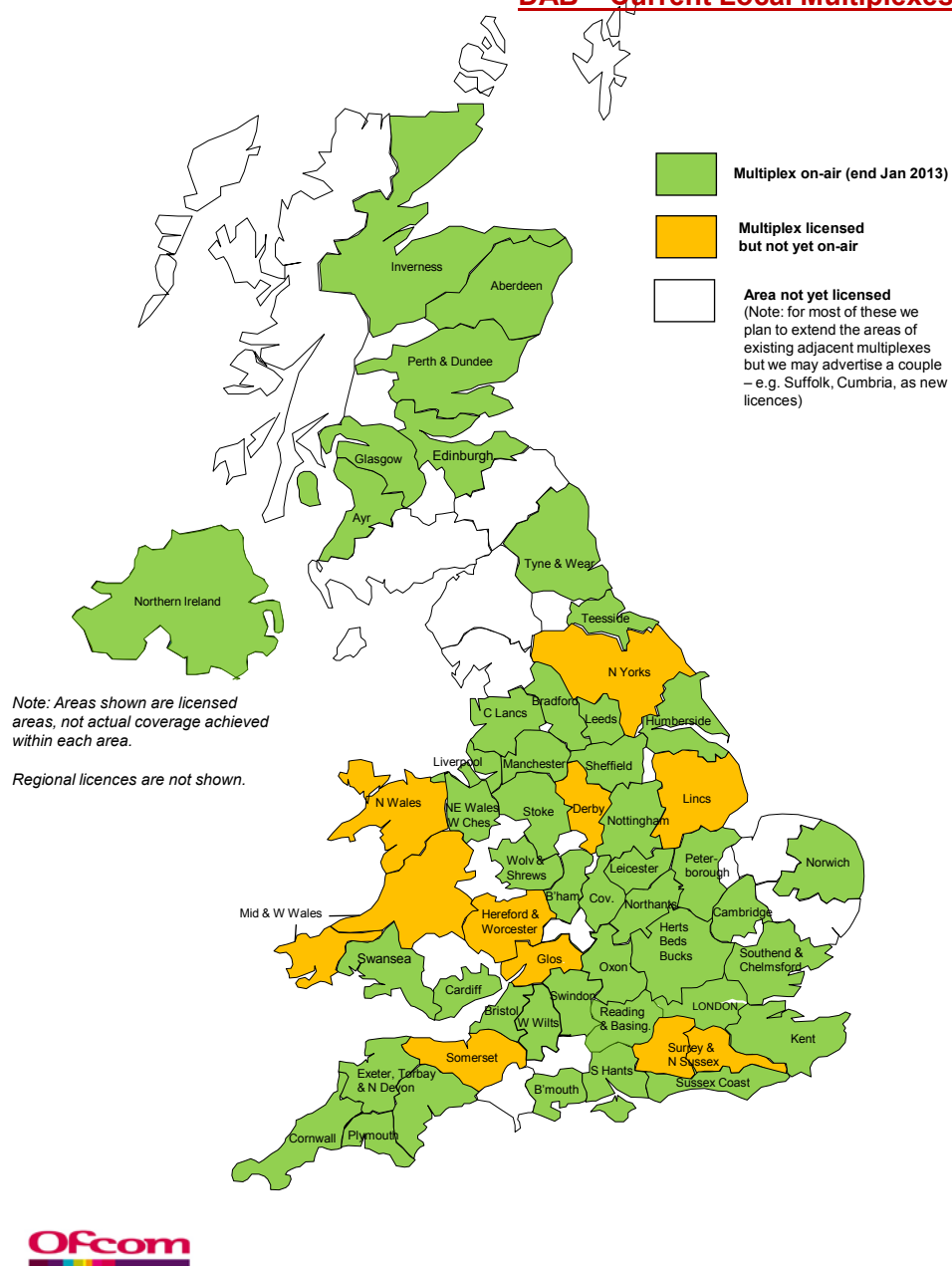


Updated: 20.12.2012

Source: Ofcom.

FIGURE 2

DAB – Current Local Multiplexes



Source: Ofcom.

Ofcom fees

TABLE 1 Licence application fee tariff, 2011/12

	Population (aged 15+)	DAB £	Analogue commercial radio	
			FM £	AM £
<i>National</i>				
All licences			100,000	100,000
<i>Local</i>				
Cat A	4,500,000 +		21,200	14,500
Cat B	1,000,000–4,500,000		11,800	8,000
Cat C	400,000–1,000,000		5,000	3,500
Cat D	0–400,000		1,500	1,000
<i>Multiplex</i>				
National			50,000	
Cat A	4,500,000 +	25,000		
Cat B	1,000,000–4,500,000	15,000		
Cat C	400,000–1,000,000	5,000		
Cat D	0–400,000	1,000		

Source: Ofcom.

TABLE 2 Broadcast licence fees payable to Ofcom

<i>Analogue</i>	
Relevant turnover of licensee	Fee (% of turnover)
£0–£1m	0.212
£1–£5m	0.318
Over £5m	0.476
<i>Multiplex</i>	
	Annual fee
National (£)	10,000
Local (£)	500

Source: Ofcom.

TABLE 3 Wireless Telegraphy Act licence fees payable to Ofcom

Population	FM fee £	AM fee £
Fewer than 100,000 adults	339	229
For each complete 100,000 adults	509	339

Source: Ofcom.

Note: Fees are not charged in respect of Mux/DAB broadcasting.

Transaction

1. This appendix sets out:
 - (a) the transaction timeline and interested parties;
 - (b) Global's proposed strategy post acquisition; and
 - (c) Global's valuation of GMG Radio.

Transaction timeline and interested parties

2. GMG plc told us that [REDACTED].
3. [REDACTED]

TABLE 1 Offers and indications of interest for GMG Radio between July 2011 and May 2012

Party	Date	Offer	Status
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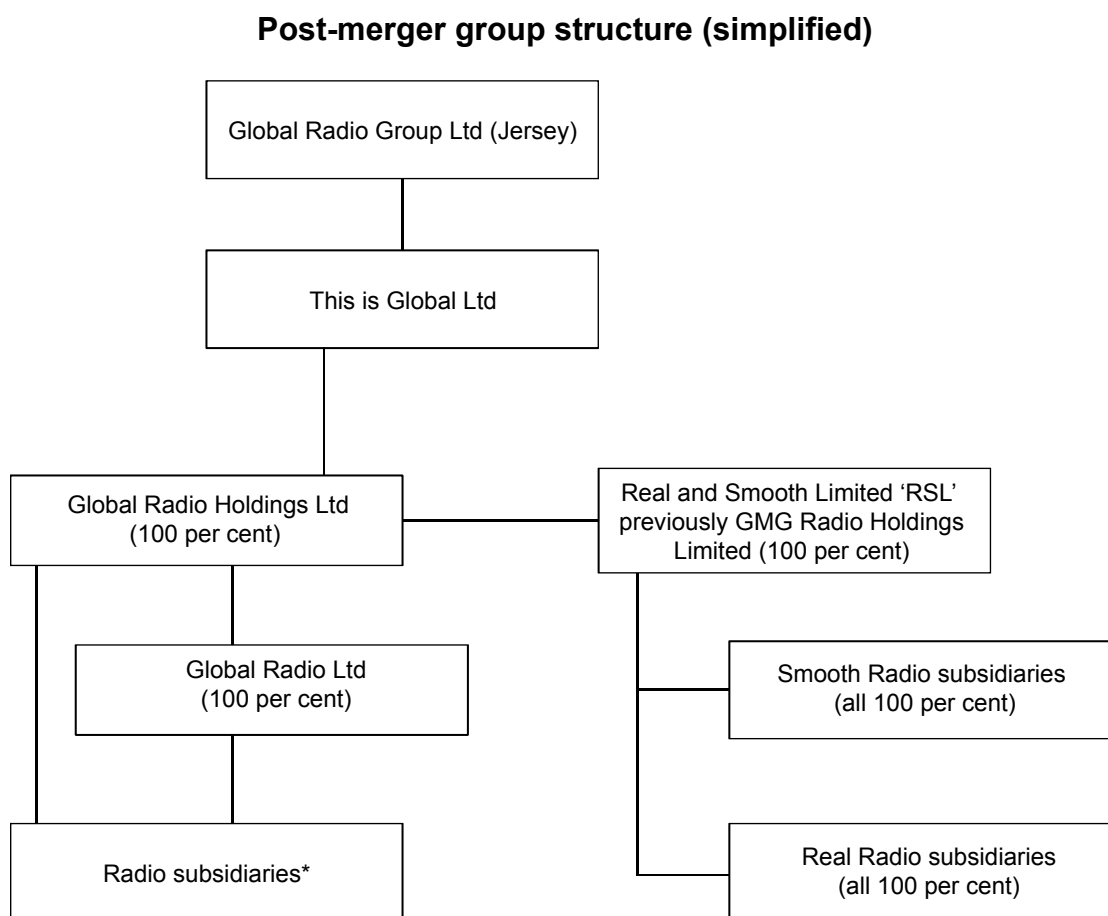
[REDACTED]

Source: GMG plc.

4. GMG plc told us and [REDACTED] Bauer told us that it had become aware of the potential sale of GMG Radio on or around 12 June 2012 as a result of an article in the *Guardian* newspaper. [REDACTED]
5. Bauer said its rationale for seeking to acquire GMG Radio was:
 - (a) its strong belief that a merged Bauer/GMG Radio would enable Bauer to compete more effectively with Global on a national level; and
 - (b) [REDACTED]
6. Global [REDACTED]. The transaction was subsequently signed on 24 June 2012 and the acquisition of GMG Radio completed on that date.
7. GMG plc said that it [REDACTED].

8. Global's simplified post-merger group structure is set out in Figure 1.

FIGURE 1



Source: Global.

*Includes associates and joint ventures.

Global's proposed strategy post-acquisition

9. Global said that it planned to [REDACTED]:
10. The [REDACTED] would result in Global having [REDACTED]:
11. Global argued that it had attracted more listeners by adopting successful [REDACTED] strategies in the past. These included:
- (a) In 2009, Global launched its 'national brands delivered locally' strategy, which involved rebranding the majority of the stations in GCap's 'One Network' to 'Heart' and thus forming the Heart network. Global said that it invested heavily in improving local programming quality, local marketing and in establishing a high-profile DJ team (among other things). Global said that this led to a growth of

400,000 Heart listeners since the GCap merger (from 7,073,000 in Q2 2008 to 7,484,000 in Q1 2012¹).

- (b) Between 2008 and 2010 Global said that it invested in the repositioning of 95.8 Capital FM in London, for example, in refocusing the Capital playlist, hiring new presenters and launching an extensive television marketing campaign. This resulted in an increase of approximately 700,000 listeners (from 1,607,000 in Q2 2008 to 2,269,000 in Q1 2012²) for Capital in London alone.
- (c) In early 2011 Global rebranded the Galaxy network and some One Network stations to form the Capital Network. Global said that as a result of its investments in 2008 and 2011, in ensuring that Galaxy delivered high-quality programming to its core young demographic and in the launch of a high-profile marketing campaign upon rebranding, the rebranded stations comprising the current Capital network (excluding Capital in London) had increased their audience by 1 million listeners from the time of the GCap merger (from 3,777,000 in Q1 2008 to 4,779,000 in Q1 2012³).

12. Global argued [REDACTED]:

- (a) a better range of differentiated stations targeted at specific audiences: [REDACTED];
- (b) better content through Global's 'national brands delivered locally' strategy: quality programming [REDACTED] and an improved radio experience including better station 'sounds' (eg better jingles and positioning messages);
- (c) better presentation with listeners [REDACTED];
- (d) better production with the [REDACTED] stations benefiting from access to Global's superior systems and infrastructure;
- (e) [REDACTED]; and
- (f) better geographic reach, [REDACTED].

¹ RAJAR.

² RAJAR.

³ RAJAR.

13. Global believed that this strategy would result in increased benefits to advertisers [REDACTED]. In particular advertisers would benefit from:
- (a) a larger audience and the opportunity to be associated with Global's brands;
 - (b) a much simpler purchasing process; and
 - (c) a clear understanding of what they were purchasing (high-quality, coherent and recognizable brands) and a clearer, more defined target demographic.

Global's valuation of GMG Radio

14. [REDACTED]

15. [REDACTED]

TABLE 2 [REDACTED]

[REDACTED]

16. [REDACTED]

17. [REDACTED]

TABLE 3 [REDACTED]

[REDACTED]

Global and RSL financial performance

Global

1. [X] A summary profit and loss account for the three years is set out in Table 1.

TABLE 1 Global summary profit and loss account for the three years ended 31 March 2012

	£'000		
	Year ended 31 March		
	2010	2011	2012
<i>Commercial revenue</i>	[X]	[X]	[X]
Other revenues	[X]	[X]	[X]
Revenue	[X]	[X]	[X]
Sales costs	[X]	[X]	[X]
Programming costs	[X]	[X]	[X]
Royalty costs	[X]	[X]	[X]
Direct costs	[X]	[X]	[X]
Gross profit	[X]	[X]	[X]
Transmission & technical	[X]	[X]	[X]
Other operating costs	[X]	[X]	[X]
EBITDA	[X]	[X]	[X]
EBITA	[X]	[X]	[X]
Operating profit	[X]	[X]	[X]
	<i>per cent</i>		
<i>Ratios</i>			
Gross margin	[X]	[X]	[X]
EBITDA	[X]	[X]	[X]
EBITA	[X]	[X]	[X]
Operating profit	[X]	[X]	[X]

Source: Global management accounts.

2. The following paragraphs describe the changes in revenue and costs in more detail.
3. Global's revenue [X] per cent between 2010 and 2012 from £[X] million to £[X] million, although it [X] to £[X] million. Global's revenue split by activity is shown in Table 2.
4. Commercial revenue [X] per cent of total revenue between 2010 and 2012. National and local airtime make up around [X] per cent of commercial revenue; national being around [X] per cent and local [X] per cent. National and local S&P make up around [X] per cent of commercial revenue; national being around [X] per cent and

local [%] per cent. Gross revenue generated by IRN from selling airtime slots around news bulletins of between £[%] million and £[%] million contributed around [%] per cent of commercial revenue.¹ A further £[%] million ([%] per cent) of revenue is generated from contractual arrangements with third parties for selling airtime slots around travel news bulletins with the remaining commercial revenue generated by advertising on its radio station websites and providing creative solutions to customers. None of these percentages has changed materially year on year during the period.

5. Other revenue is made up principally of commission income from selling third party airtime and S&P (Global's contracts with RSL and Orion), events revenues and directory enquiry services. This generated revenue of between £[%] million and £[%] million a year over the period. Transmission fee and management fee income on digital multiplexes contributed £[%] million in 2010. This [%] around £[%] million in 2011 and 2012.

TABLE 2 Global's revenue for the three years ended 31 March 2012

	£'000		
	Years ended 31 March		
Commercial revenue	2010	2011	2012
National airtime	[%]	[%]	[%]
Local airtime	[%]	[%]	[%]
National S&P	[%]	[%]	[%]
Local S&P	[%]	[%]	[%]
Newslink	[%]	[%]	[%]
Interactive	[%]	[%]	[%]
Creative revenue	[%]	[%]	[%]
Global Traffic Network	[%]	[%]	[%]
Commercial revenue	[%]	[%]	[%]
Commercial revenue	[%]	[%]	[%]
Other revenues	[%]	[%]	[%]
Revenue	[%]	[%]	[%]

Source: Global management accounts.

6. Global's gross margin [%] per cent between 2010 and 2012 (see Table 1). Table 3 shows the breakdown of Global's direct costs. Sales costs have [%] per cent of total

¹ Net revenue for the three-year period was between £[%] and £[%].

revenue in 2010 to [x] per cent in 2012 with sales staff and bonuses costs representing the majority of these costs (between £[x] million and £[x] million, [x] per cent of total revenue). Programming costs have [x] per cent of total revenue to [x] per cent over the period reflecting Global's changes to more centralized content provision. Royalty costs have [x] per cent over the period.

TABLE 3 Global's direct costs for the three years ended 31 March 2012

	£'000		
	Years ended 31 March		
	2010	2011	2012
<i>Sales</i>			
Sales staff & bonuses	[x]	[x]	[x]
Capitalized development costs	[x]	[x]	[x]
Events costs	[x]	[x]	[x]
Sponsorship costs	[x]	[x]	[x]
Creative costs	[x]	[x]	[x]
Enterprises costs	[x]	[x]	[x]
Other sale costs	[x]	[x]	[x]
IRN rebates	[x]	[x]	[x]
Sales costs	[x]	[x]	[x]
<i>Programme costs</i>			
Programming staff	[x]	[x]	[x]
Freelance staff	[x]	[x]	[x]
Other programming	[x]	[x]	[x]
Programming costs	[x]	[x]	[x]
<i>Other</i>			
Royalty costs	[x]	[x]	[x]
Direct costs	[x]	[x]	[x]

Source: Global management accounts.

7. Global's transmission & technical and other operating costs are set out in Table 4. Analogue and digital transmission costs are fixed costs based on fixed-term transmission contracts. During the period analogue costs [x] by £[x] million whilst digital costs [x] by £[x] million. Other operating costs [x] by £[x] million over the three-year period. Within other operating costs, the largest costs category, administration and support staff, saw [x] over the period of £[x] million with the other cost categories showing [x].

TABLE 4 Global other costs for the three years ended 31 March 2012

	£'000		
	Years ended 31 March		
	2010	2011	2012
Transmission & technical			
Transmission—analogue	[X]	[X]	[X]
Transmission—digital	[X]	[X]	[X]
Technical costs	[X]	[X]	[X]
Transmission & technical	[X]	[X]	[X]
<i>Other operating costs</i>			
Admin & support staff	[X]	[X]	[X]
Marketing cash	[X]	[X]	[X]
Street marketing	[X]	[X]	[X]
Travel & accommodation	[X]	[X]	[X]
Occupancy costs	[X]	[X]	[X]
Admin & regulatory costs	[X]	[X]	[X]
Allocation to disposed stations	[X]	[X]	[X]
Other operating costs	[X]	[X]	[X]

Source: Global management accounts.

8. Table 5 shows Global's depreciation, amortization & exceptional costs over the three-year period. Global acquired the radio interests of Chrysalis Group in 2007 and GCap in 2008 resulting in goodwill of £[X] million and an annual amortization charge of around between £[X] million and £[X] million a year.

TABLE 5 Global depreciation, amortization and exceptional items

	£'000		
	Years ended 31 March		
	2010	2011	2012
Depreciation	[X]	[X]	[X]
Goodwill amortization	[X]	[X]	[X]
Exceptional costs	[X]	[X]	[X]

Source: Global management accounts.

RSL

9. [X] A summary profit and loss account for the three years is set out in Table 6.

TABLE 6 RSL summary profit and loss for the three years ended 31 March 2012

	£'000		
	Years ended 31 March		
	2010	2011	2012
Advertising	[X]	[X]	[X]
S&P	[X]	[X]	[X]
Other	[X]	[X]	[X]
Total revenue	[X]	[X]	[X]
Direct costs	[X]	[X]	[X]
Gross profit	[X]	[X]	[X]
Overheads	[X]	[X]	[X]
EBITDA	[X]	[X]	[X]
Depreciation	[X]	[X]	[X]
EBIT	[X]	[X]	[X]
	<i>per cent</i>		
<i>Ratios</i>			
Gross margin	[X]	[X]	[X]
EBITDA	[X]	[X]	[X]
EBIT	[X]	[X]	[X]

Source: RSL management accounts.

Note: [X].

10. RSL's revenue [X] per cent between 2010 and 2012 from £[X] million to £[X] million, although it [X] in 2012 by £[X] million ([X] per cent) over 2011. RSL's revenue split by activity is shown in Table 7.
11. Local advertising revenue has shown [X] year on year. Regional advertising showed [X] per cent in 2011 [X] per cent in 2012; [X] of £[X] million over the period. There are significant differences in national advertising revenues year on year, [X] per cent from 2010 to 2011 and then [X] per cent in 2012 ([X]). S&P experienced [X] in 2011 ([X] per cent) but only [X] per cent in 2012, [X] over the period of £[X] million. Other revenue representing mainly commercial production and internet advertising revenue was at a similar level in 2012 to that in 2010; around £[X] million.

TABLE 7 RSL revenue for the three years ended 31 March 2012

	£'000		
	Years ended 31 March		
	2010	2011	2012
<i>Revenue</i>			
Local advertising	[X]	[X]	[X]
Regional advertising	[X]	[X]	[X]
National advertising	[X]	[X]	[X]
S&P	[X]	[X]	[X]
	[X]	[X]	[X]
Other	[X]	[X]	[X]
	[X]	[X]	[X]

Source: RSL management accounts.

12. Direct costs have [X] as a percentage of revenue from [X] to [X] per cent of total revenue over the period. Sales commission has [X] as a percentage of local and regional advertising revenue from [X] per cent in 2010 to around [X] per cent in 2011 and 2012. Sales house commission has [X] over the period from [X] per cent of national advertising revenue.² S&P costs have [X] but remain around [X] per cent of S&P revenue.

TABLE 8 RSL direct costs for the three years ended 31 March 2012

	£'000		
	Years ended 31 March		
	2010	2011	2012
Sales staff commission	[X]	[X]	[X]
Sales house commission	[X]	[X]	[X]
S&P costs	[X]	[X]	[X]
Production	[X]	[X]	[X]
Royalties	[X]	[X]	[X]
Other	[X]	[X]	[X]
	[X]	[X]	[X]

Source: RSL management accounts.

13. Overheads have [X] from £[X] million in 2010 to £[X] million in 2012, [X] of £[X] million. The individual overhead costs are shown in Table 9. The [X] has been in publicity and marketing which [X] by £[X] million followed by staff costs which

² RSL told us that [X]. The sales percentage figures are based on these figures.

have [x] by £[x] million. The [x] over the period was transmission costs, which [x] by £[x] million.

TABLE 9 RSL overheads for three years ended 31 March 2012

	£'000		
	Year ended 31 March		
	2010	2011	2012
Staff costs	[x]	[x]	[x]
Freelance costs	[x]	[x]	[x]
Transmission costs	[x]	[x]	[x]
Engineering & IT	[x]	[x]	[x]
Sales dept costs	[x]	[x]	[x]
Programme costs	[x]	[x]	[x]
Sports costs	[x]	[x]	[x]
Internet costs	[x]	[x]	[x]
Promotions & prizes	[x]	[x]	[x]
Publicity & marketing	[x]	[x]	[x]
Research costs	[x]	[x]	[x]
Administration costs	[x]	[x]	[x]
Establishment costs	[x]	[x]	[x]
Transport/motor expenses	[x]	[x]	[x]
Bank & credit control charges	[x]	[x]	[x]
NTR department costs	[x]	[x]	[x]
Bad debts	[x]	[x]	[x]

Source: RSL management accounts.

Counterfactual

1. In this appendix we set out details of the parties other than Global that were involved in the GMG Radio sales process and evidence of the potential for competition concerns associated with an acquisition of GMG Radio by each party. We also summarize the strategic options considered by GMG plc at the time of its decision to sell GMG Radio to determine the likelihood that GMG Radio would have been retained in the absence of the merger. Finally, we set out the history of GMG Radio's use and its overall rationale for using a third party sales house to sell airtime to national advertisers and summarize the key terms of its existing agreement for such sales with Global Radio.
2. The appendix is structured as follows:
 - (a) potential alternative acquirers (paragraphs 3 to 8);
 - (b) consideration of any potential competition concerns (paragraphs 9 to 19);
 - (c) strategic options considered by GMG plc (paragraphs 20 to 22); and
 - (d) history of GMG Radio's use and rationale for using a national sales house, including key terms of the current Global/GMG Radio National Sales Agency Agreement (paragraphs 1 to 34).

Potential alternative acquirers

3. There were four parties other than Global [REDACTED]:
 - (a) Orion Media Holdings Ltd;
 - (b) Bauer Radio Ltd;
 - (c) [REDACTED]
 - (d) [REDACTED]

Bauer

4. Bauer [REDACTED].

Orion

5. Orion [REDACTED].

[REDACTED]

6. [REDACTED]

[REDACTED]

7. [REDACTED]

Status of alternative offers

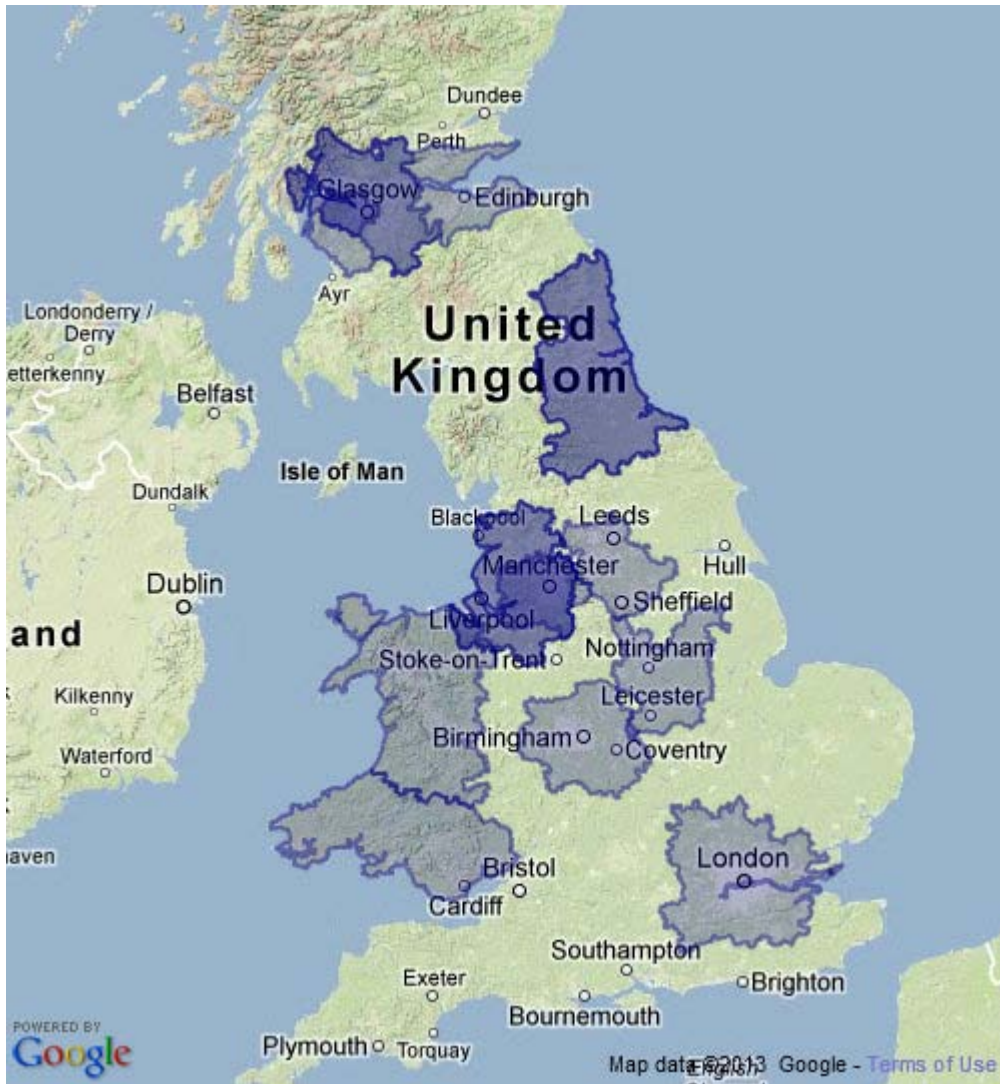
8. At the time of the acquisition of GMG Radio by Global, the only other bidder that was in advanced negotiations with GMG was Bauer.

Consideration of any potential for competition concerns

9. In paragraphs 9 to 19 we assess the potential for competition issues to be raised by each of the four potential alternative acquirers detailed. We did not undertake a comprehensive analysis for these purposes equivalent to that undertaken by the OFT during a first-stage competition review, but we have sought views of the parties concerned as well as Global and GMG and considered as part of this analysis, GMG Radio's coverage as shown in Figure 1.

FIGURE 1

GMG Radio analogue local radio stations



Source: Radio Advertising Bureau mapping.

Bauer

10. Global submitted that a sale of GMG Radio to Bauer would give rise to competition concerns and that the OFT would have referred this acquisition to the CC absent remedies.¹

11. Specifically, Global argued that an acquisition by Bauer would have given rise to high combined shares for non-contracted radio advertising in a number of regions and

¹ Global initial submission.

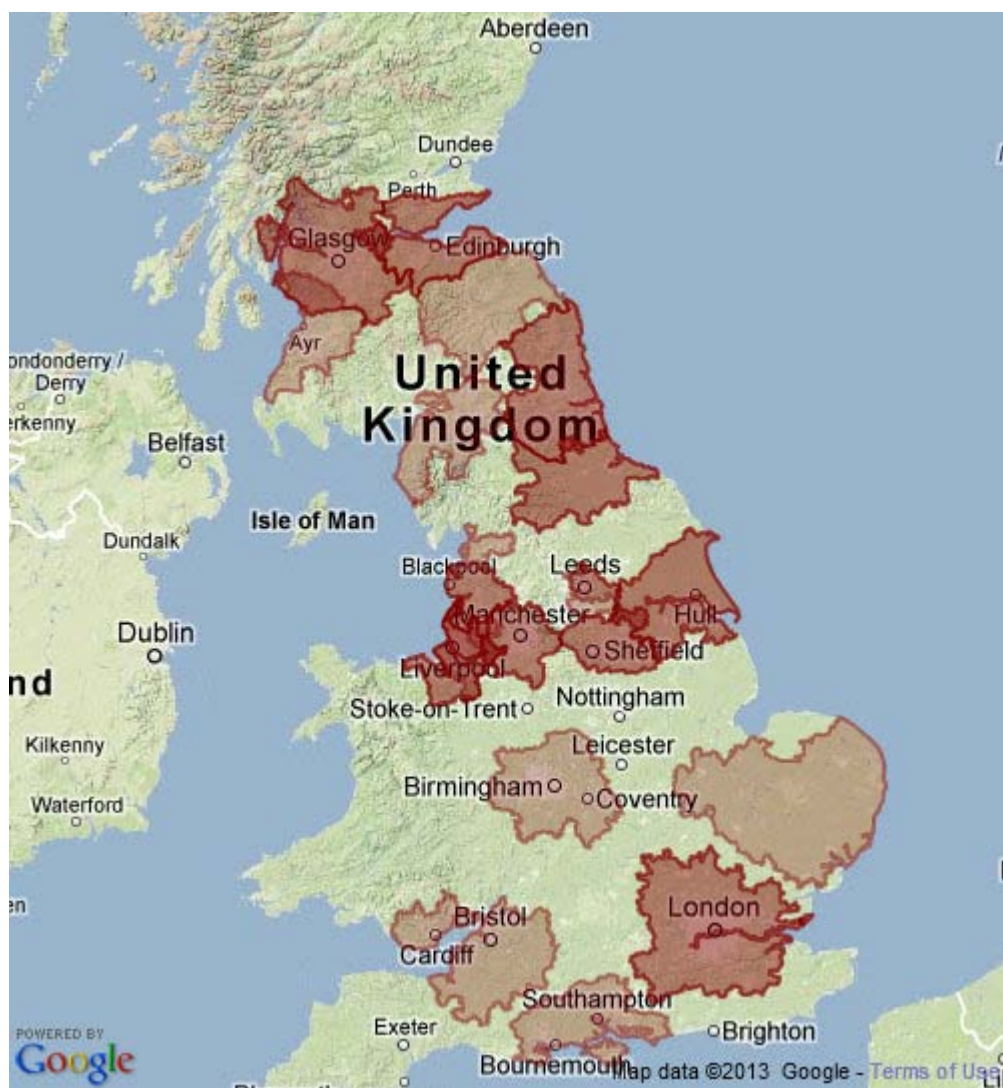
cities including, in particular, the North-West, the North-East and Scotland, where the merged entity would have had a share of [X], [X] and [X] per cent of non-contracted radio advertising respectively. In each case, Global estimated that the increment to market share would have been significant (greater than 20 per cent). Global submitted that Bauer and GMG Radio were also close competitors in these overlap areas, with both radio broadcasters' core stations targeting a similar demographic (listeners aged 25 to 44).

12. Bauer told us that it had [X].
13. Figure 2 shows the TSAs for Bauer's² stations. It shows in comparison with Figure 1 areas of overlap in Scotland, North-East England and North-West England as well as around Cardiff.

² The figure excludes Northsound (Bauer Inverness) and Moray Firth Radio in Scotland, and Cool FM and Downtown in Northern Ireland. RSL has no overlapping stations in these areas.

FIGURE 2

Bauer's UK local analogue radio stations' TSAs



Source: Radio Advertising Bureau mapping.

Note: The figure excludes Northsound (Bauer Inverness) and Moray Firth Radio in Scotland, and Cool FM and Downtown in Northern Ireland.

[X]

14. Global submitted that a sale of GMG Radio to [X] would give rise to competition concerns and that the OFT would have referred this acquisition to the CC absent remedies. Global argued that an acquisition by [X] would have given rise to high combined shares for non-contracted radio advertising in [X] (in particular in [X], where Global estimated that the merged entity would have had a share of non-contracted radio advertising in excess of 90 per cent). Global submitted that [X] and

GMG Radio's stations in [redacted] were also close competitors, targeting a similar demographic (GMG Radio's Real targets listeners aged 25 to 44 and [redacted] targets listeners aged under 40).³

15. [redacted] told us that it had undertaken internal analysis of a hypothetical acquisition of GMG Radio in August 2010 and again in November 2011. This analysis informed its consideration of the acquisition opportunity, as well as scenario planning associated with the business being acquired by one of its competitors. It considered that a [redacted] acquisition might have prompted competition issues in [redacted] and accepted that this might have prompted one or more disposals, for example there was a risk that it would be required to divest [redacted] in [redacted]. The possibility of needing to make such disposals did not deter [redacted] from proceeding with a potential acquisition of GMG Radio.

16. [redacted]

FIGURE 3

[redacted] UK local analogue radio stations' TSAs [redacted]

[redacted]

Source: Radio Advertising Bureau mapping.

Orion

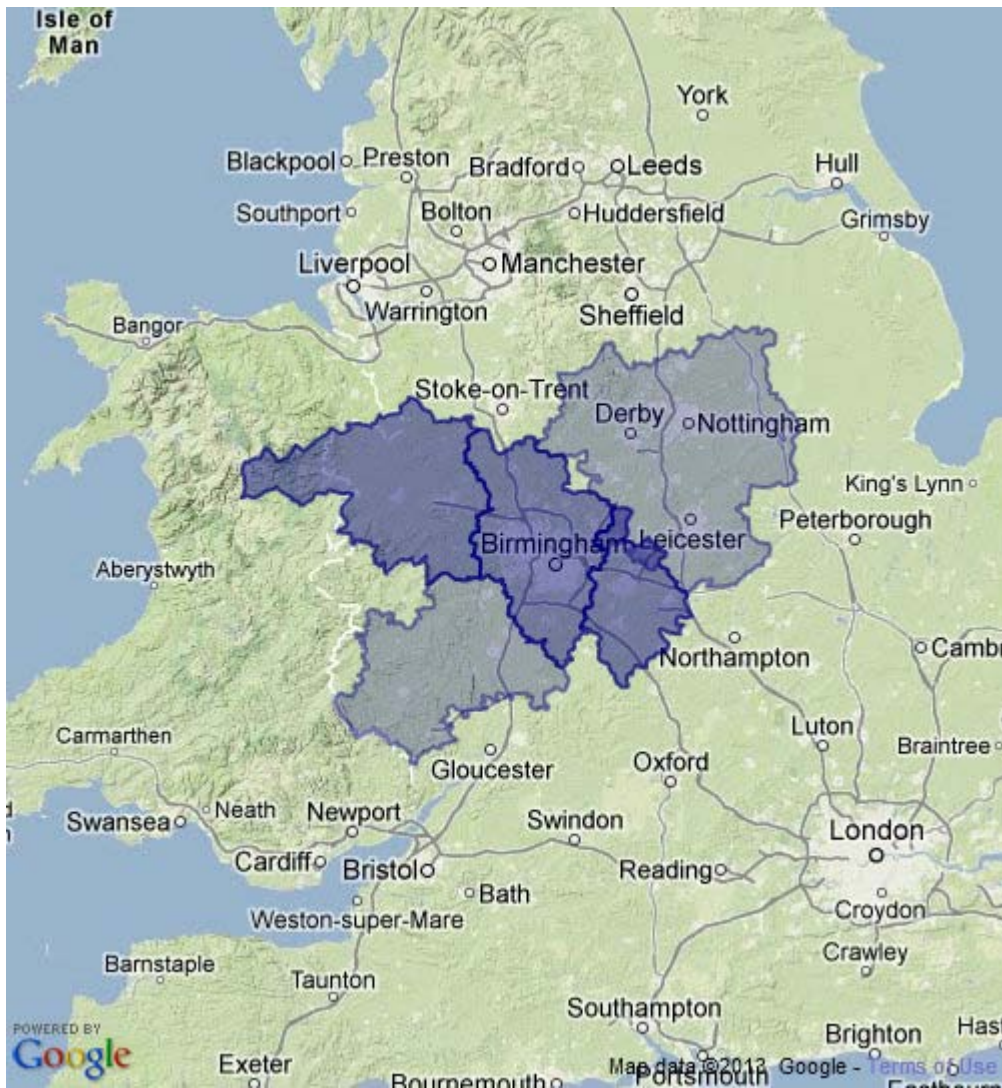
17. Orion Media's Free Radio and Gem 106 stations and GMG Radio's Smooth station overlap in the Midlands. [redacted]

18. Figure 4 shows the TSAs for Orion's UK radio stations. It shows an area of overlap in comparison with Figure 1 in the Midlands.

³ Global initial submission,

FIGURE 4

Orion's UK local analogue radio stations' TSAs



Source: Radio Advertising Bureau mapping.

[REDACTED]

19. [REDACTED]

Retention of GMG Radio by GMG plc

20. GMG plc told us [REDACTED].

21. [REDACTED]

National sales agreement

22. In the following section we set out:

- (a) the history of GMG Radio's use of a national sales house and the key terms of the current Agreement (paragraphs 1 to 28); and
- (b) the rationale for GMG Radio using a third party national sales house (paragraphs 29 to 34).

History and rationale of GMG Radio's use of a national sales house

History of GMG Radio's use of a national sales house

23. GMG Radio has always used a third party national sales house to sell its airtime to London-based agencies. Chrysalis Radio Group represented GMG Radio in the national advertising market from [REDACTED] the contract moved to GCap. [REDACTED] Bauer told us that for timing reasons, Bauer chose not to proceed with discussions since its strategy at the time was to focus on growing its own business.⁴

24. [REDACTED]⁵

25. [REDACTED]

26. [REDACTED]⁶

27. [REDACTED]

28. [REDACTED]^{7,8}

⁴ Bauer told us [REDACTED].

⁵ It is terminable on [REDACTED].

⁶ [REDACTED]

⁷ [REDACTED]

⁸ [REDACTED]

Rationale for the agreement with Global

29. GMG plc considered [REDACTED]. GMG Radio said that its reasons for using a national sales agent to sell airtime to London-based agencies were as follows:

- (a) It was common practice for a small radio group, such as GMG Radio, to use a sales agent when selling airtime to the London-based agencies (which were individually large and owned by media groups).
- (b) GMG Radio would incur significant costs if it were to set up its own London agency sales team. It estimated that the annual cost would be £[REDACTED] compared with the current annual cost of hiring Global of £[REDACTED]. GMG Radio argued that, given its lack of experience (as well as the other reasons set out above), it was unlikely that it would generate more revenues than already generated by Global acting as its sales agent. [REDACTED]
- (c) GMG Radio lacked the scale and presence in London to negotiate with London-based agencies. It argued that generally its stations only covered a limited part of the UK, and in London specifically its only brand, Smooth, ranked 19th in popularity with audiences in London in terms of reach and 25th in terms of listening hours.⁹ Without a strong London presence, radio brands such as Real and Smooth would struggle to feature on the schedules of London-based planners from the large London-based agencies. GMG Radio similarly told us that Global's and GMG Radio's brands were highly complementary. As such, combining both parties' brands created a more attractive proposition for London-based agencies than GMG Radio selling its brands by itself. In particular, London-based agencies were likely to buy Real and Heart together to launch a national campaign given that both stations targeted the same demographic but were geographically complementary (with Real being in the North and Heart being in the South).¹⁰ Additionally, Global could sell Smooth with Heart and

⁹ Calculated by reference to share of listening hours in London. RAJAR Q2 2012.

¹⁰ [REDACTED] per cent of contracted revenues on Real are attributable to campaigns that are also on the Heart network.

Capital, all of which targeted complementary audiences. GMG Radio's stations therefore benefited from being sold with Global's stations. These significant benefits could not be achieved by GMG Radio selling directly or using another sales house.

30. Global argued that GMG Radio's brand awareness was lower among major advertisers and media planners based in London than for stations which had a stronger London presence. In addition, its regional/local stations accounted for just 10.4 per cent of commercial radio listening hours,¹¹ compared with 36.7 per cent for Global, 24.7 per cent for Bauer and 10.4 per cent for FRS¹² (the only three suppliers of airtime across portfolios of local and regional stations).
31. GMG Radio said that it used Global as its agent because:
- (a) Global delivered the maximum benefits for GMG Radio. It considered that no other radio groups were as viable a sales house as Global:
- (i) [REDACTED] Specifically it did not have the nationally recognized brands that could be offered as a complement to Real and it did not have the skills or market presence required to market GMG Radio brands to the London agencies. As a result, FRS generated [REDACTED].¹³
- (ii) Although a large radio group, Bauer had never acted as a sales agent. It therefore lacked the experience to do so. Additionally, as Bauer was a close competitor to Real in the North, and did not offer a geographic complement to Real in the South, it was not a viable sales house for GMG Radio. Selling GMG Radio brands with Bauer's brands would not offer a more attractive proposition to London-based agencies.

¹¹ RAJAR Q2 2012.

¹² FRS is owned jointly by UTV and The Local Radio Company.

¹³ RSL said that FRS generated £[REDACTED] of revenues for Real XS (then Rock Radio) in the period [REDACTED]. In comparison, Global generated revenues amounting to £[REDACTED] for Real XS in the period from [REDACTED].

(b) Global created a more efficient negotiation and sales process for the London-based agencies that could negotiate with one radio group rather than Global and GMG Radio separately—this was also for the benefit of GMG Radio which otherwise might not be able to secure a direct contract with the London-based agencies given its lack of scale, presence and recognizable brand in London.

32. [REDACTED], GMG Radio decided to enter into a new agreement with Global, which ran from [REDACTED].

33. Where the GMG Radio board [REDACTED].

34. GMG Radio's board minutes show [REDACTED].

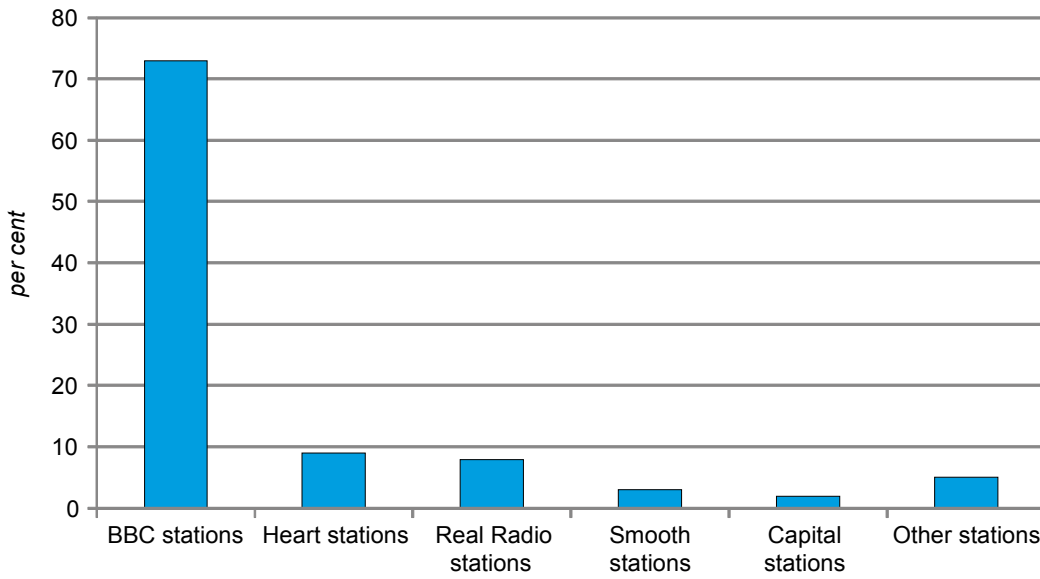
Competition for listeners

1. Global told us that its main brands competed with BBC radio stations for listeners much more closely than with other commercial radio stations. RSL told us that its main brands were closer competitors with the BBC stations for listeners than they were with other commercial radio stations.
2. We asked other radio companies to list the five closest competitors for listeners to each of their radio stations.¹ The results are shown below. These results include some radio companies that did not include any BBC stations in their list of competitors (possibly because they interpreted the question as relating only to commercial radio station competitors). The stations of these companies represented 7 per cent of all stations on which we obtained information.
3. Figure 1 shows the percentage of stations that stations listed as their closest competitor. We note that the percentage for which a BBC station is listed as their closest competitor is significantly larger than the percentage for which non-BBC stations are listed.

¹ We asked a similar question of Global and RSL, but they pointed us to their previous statements that the BBC was their main competitor.

FIGURE 1

Closest competitor station (percentage)

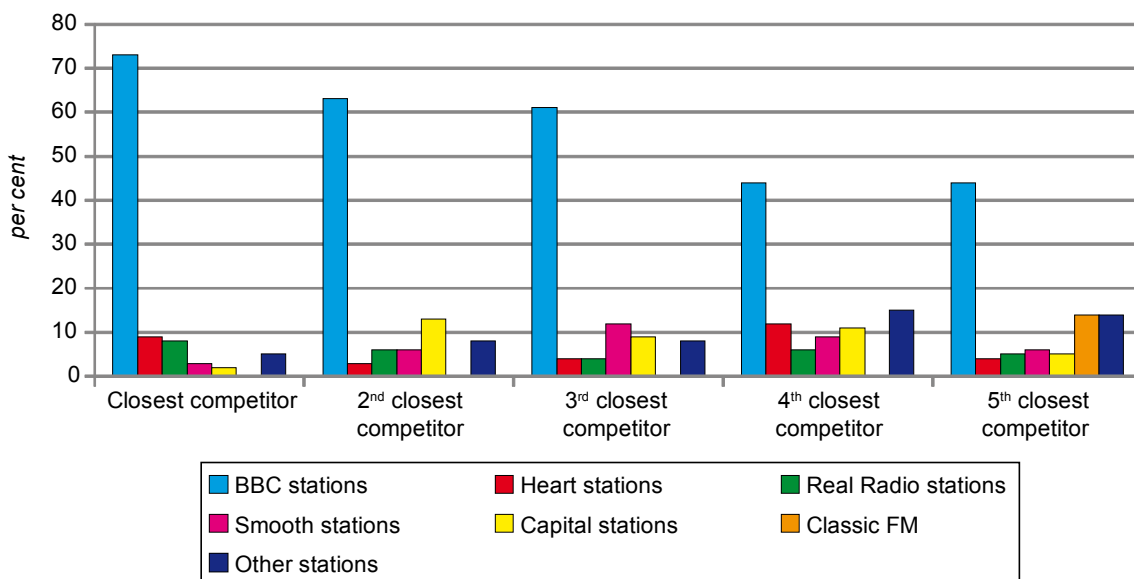


Source: CC analysis.

- Figure 2 combines the above chart with those for second- to fifth-closest competitors. Again, the percentage of stations for which BBC stations are listed as second- to fifth-closest competitors remains significantly larger than the percentage for which other non-BBC stations are listed.

FIGURE 2

Closest competitors (percentage)

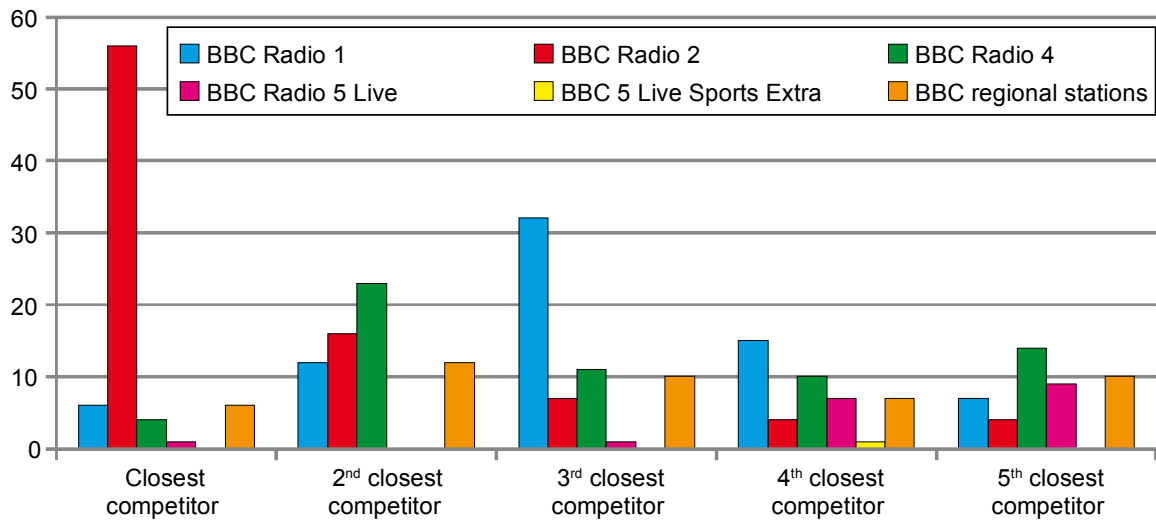


Source: CC analysis.

5. Figure 3 shows the percentage of stations for which particular BBC stations are named as their closest to fifth-closest competitors. Radio 2 is overwhelmingly regarded as stations' closest competitor, whereas for second- to third-closest competitors, Radio 4 and Radio 1 are more significant.

FIGURE 3

Closest competitors—BBC stations (percentage)



Source: CC analysis.

Survey methodology

Introduction

1. This appendix discusses the weight that we consider can reasonably be attached to the results of the two surveys commissioned by Global: the existing customer survey and the lost opportunities survey. In doing so, we seek to approach issues around the robustness of these surveys by applying the same principles that we would apply to surveys that we have commissioned ourselves.
2. However, we note two important differences resulting from the fact the surveys were commissioned, and fieldwork started, before the reference to the CC. First, we were not involved in the decisions about the population to be sampled nor the questions to be asked. Secondly, in cases where the CC has commissioned a survey, the survey moderator is involved from the beginning in the survey design and observes the early stages of the fieldwork. This enables the fieldwork to be adjusted to take into account issues arising from the survey moderator's observations.
3. This appendix focuses on the existing customer survey. We have not assessed in detail the quality of the lost opportunities survey. This is because we consider the existing customer survey to be of more importance to the CC's inquiry (see Appendix H). We note, however, that the two surveys were commissioned together from the same market research agency, had very similar designs, obtained a similar number of responses, and that the fieldwork for both was subcontracted to the same company. We might therefore expect the surveys to be of similar quality.
4. The CC did not commission its own survey of customers. The parties' surveys already attempted contact with all customers in the overlap areas and we considered that it was likely to be difficult to persuade customers to respond to a second, similar

survey. Furthermore, the responses of customers who had participated in the parties' survey would be likely to be conditioned by their having done so which would make the results of the later survey difficult to interpret.

Analysis of the existing customer survey results

5. The parties commissioned YouGov to carry out the survey. The parties' analysis of the results was submitted to the CC together with the survey technical report and all the raw data, including the respondents' names provided on a confidential basis by YouGov. In the following paragraphs we set out our comments on the parties' calculation of the proportion of respondents who indicated that other radio and/or the other merger party was their next best alternative and our analysis of the raw data that enabled us to take account of the level of expenditure of each respondent when calculating these proportions.

(a) Calculation of proportion of respondents who indicated that 'other radio' and/or the other merger party was their next best alternative

6. In our view the parties' calculations understate the proportion of non-contracted customers who viewed 'other radio' and the other merger party as their next best alternative. This is because the analysis included 'don't know' responses and those who mentioned another station owned by the same party in the total from which the percentage answering other radio and the other merging party are calculated. A standard analysis would exclude these from the total: when this is done the proportion of respondents who viewed the other merger party as the next best alternative is 8.4 per cent (compared with 5 per cent calculated by the parties); and the proportion of respondents who viewed other radio as the next best alternative is 22 per cent (compared with 18 per cent calculated by the parties).
7. We noted another source of potential uncertainty in reported next best alternatives. When an advertiser indicated that they would switch their budget between multiple

alternatives, calculations of the proportion of respondents who viewed other radio and/or the other merger party as the next best alternative are sensitive to the assumptions made about how the budget would be apportioned. For example, if a respondent said that they would have spent the budget on a combination of local press and one of the merger party's radio stations, then this could be a 50:50 split or a 90:10 (in either direction). If the entire switched budget was diverted to the other merger party, this would increase the proportion who viewed the merger parties as the next best alternative by a factor of around 1.4. However, alternative assumptions could reduce this proportion. Therefore we considered that this increased the uncertainty associated with the proportion of respondents who actually viewed other radio or the other merger party as the next best alternative, but that the effect on estimates could be in either direction.

(b) Proportion of respondents who viewed other radio or the other merger party as the next best alternative, weighted by value of spend

8. We analysed the level of spend of individual respondents based on their identity and cross referencing this with data provided by the relevant party on their customers and spending. The aim of this analysis was to seek to find out more about those respondents who had indicated that other radio and/or the other merger party was their next best alternative. We were able to identify the annual non-contracted expenditure on Global or RSL (depending on which was used in their last advertising campaign) for 65 per cent of survey respondents. We were able to identify a higher proportion, 76 per cent, when we additionally included respondents' expenditure on contracted advertising and S&P.

9. This analysis showed that the proportion of respondents who viewed the other merger party as the next best alternative was higher when account was taken of respondents' advertising spending. This was because advertisers who named the other merger party as an alternative spent, on average, a greater amount with the

first radio group in FY2011 compared with those advertisers who did not name the other merger party. The average spend on non-contracted advertising for those respondents that named the other merger party was higher than for the sample as a whole by between 17 and 34 per cent. However, when we additionally included advertiser spend on contracted advertising and S&P the uplift was smaller, at 7 to 16 per cent. The proportion of respondents who viewed the other merger party as the next best alternative, weighted by spend is therefore higher by an estimated factor of around 1.05 to 1.34.

10. Applying this result to the 8.4 per cent calculated above, we estimated the proportion of respondents who viewed the other merger party as the next best alternative, weighted by spend, to be in the range of 9 to 11 per cent. In our view, these estimates are the best that we can derive from this survey although, for the reasons given below, there is some considerable uncertainty around them.

11. In the remainder of this appendix, we consider factors relevant to an assessment of the weight that can be attached to the survey results: coverage; sample sizes; question design; and comments of the CC's independent survey moderator about the way the existing customer survey was carried out following her visit to the offices of the company which conducted the fieldwork.¹ In particular, we considered issues that may have had an impact on the quality of results with respect to the implied percentage of customers for whom one of the other party's stations is the closest alternative.²

¹ On this visit the survey moderator spoke to some interviewers, listened to recordings of interviews and spoke to the fieldwork manager. An analysis of all interview recordings was carried out following this visit and a number of concerns were raised.

² Question 11 of the survey asked respondents which other media they would use if they had been unable to use Global/RSL for their last campaign. We consider that responses are useful in indicating respondents' closest alternatives to Global/RSL.

Factors affecting the quality of the survey results

(a) Coverage

12. The sample of customers contacted for the existing customer survey excluded a segment of Global advertisers who may have been 'marginal customers'. Global carried out a survey of non-contracted advertisers (the lost opportunities survey) that had actively considered advertising on Global's stations for a particular campaign but eventually declined Global's offer. These advertisers were excluded from the sampling frame of the existing customer survey, even if they had been a customer during the same period. During the first wave of surveys, in which customers in six overlap areas³ were contacted, 409 customers⁴ fell into this category. As potential 'marginal' customers they may have been expected to show a different pattern of responses to the other customers in the existing customer survey and in our view their inclusion in this survey would have been more informative.

(b) Sample sizes

13. The overall achieved sample for the existing customer survey was 548 out of a total of 2,592 advertisers in the sampling frame, giving an overall response rate of 21 per cent.⁵ We recognized that the pre-reference commissioning of the survey meant that there was a longer period to carry out fieldwork than is generally available in a CC merger inquiry. For example, the market research company was able to obtain data from a relatively large number of respondents. We noted that it is often difficult to achieve good response rates in business surveys and the survey moderator noted in her report that much work had gone into maximizing the number of responses.
14. We considered the aggregate response rates, absent any other relevant factors, to provide a reasonable number of responses across the nine surveyed areas. A 95 per

³ The East Midlands, London, the North-East, South Wales, North Wales and the West Midlands.

⁴ Out of 1,760 that the research company attempted to contact.

⁵ The achieved sample for the lost opportunities survey was 698, out of 3,002.

cent confidence interval (treating sampling as the only source of variation and assuming the achieved sample to be random) in relation to responses to question 11 (which asked respondents their next best alternative) and aggregated across the nine surveyed areas would be 6.3 to 10.5 per cent based on a central estimate of 8.4 per cent.

15. The number of responses for each of the nine local areas is relatively small, ranging from 37 in London to 93 in South Wales. The confidence intervals around responses to question 11 calculated for each local area would therefore be much wider than those based on the sample aggregated across all areas. For example, a sample size of 50 would result in a confidence interval of 2 to 18 per cent around a central estimate of 10 per cent.

(c) Question design

16. Our review of the survey design, taking into account the responses, highlighted potential issues with the wording of a key question. Question 11a asked what the respondent would have done with the relevant budget if they had been unable to use the radio station in that period and offered the example 'if there had been no airtime slots available'. 41 per cent of the respondents to this question who gave an answer other than 'don't know' chose the response 'I wouldn't have spent the money at all (ie I would have reduced my overall campaign spend)'.⁶
17. However, one potential interpretation of the question is that the respondent can defer their expenditure until the next time a slot on the same radio station becomes

⁶ Q11a of the existing customer survey reads:

I would now like you to think back to the time when you were planning how to allocate your media budget for the last campaign where you used [Insert Global stations identified at Q8]. If you had been unable to use [Insert Global stations identified at Q8] in that period (for example if there had been no airtime slots available at all), what would you have done with the budget you would have spent on [that station/those stations]? [multiple responses allowed, prompted question].

Increase my advertising spend on the other media that I also used for that campaign.

Increase my advertising spend on different media to those that I used for that campaign.

I wouldn't have spent the money at all (ie I would have reduced my overall campaign spend).

I don't know.

available. This was not the way the question was intended and could have led to an understatement of the proportion of customers choosing the various different options.

18. We queried this with the parties. The parties suggested that the high proportion of respondents answering that they would not have spent the money at all was likely to have been driven by the fact that advertising campaigns were unique: a radio campaign may be tailored to a particular station such that other media alternatives may not be viable alternatives.
19. Our view is that the alternative interpretation in paragraph 17 above would have been a reasonable interpretation of the question based on its wording and may have reduced the estimated proportion of respondents who viewed other radio, including the other merger party, as the next best alternative.

(d) Conduct of the fieldwork

20. The independent survey moderator raised concerns about the quality of the fieldwork and advised that, as a result, the CC should be very cautious in its use of this research in its decision making.⁷ In particular we noted from her report that:
 - in question 11 respondents were asked what they would do if the Global (or RSL) station used had not been available. Possible answers were not offered to respondents in a consistent manner and the question and the list of possible responses was only read out in full in 11 per cent of the interviews. This failure to ask the question correctly and the inconsistency in the way it was asked gives rise to interviewer variance and potential response error;
 - one interviewer conducted 205 of the 548 interviews on this survey, with two other interviewers conducting a further 143 interviews between them. Such concentration of fieldwork is contrary to survey best practice and accentuates the risks of

⁷ Survey Quality Moderator Report, Marketing Research Consultancy.

interviewer-induced error. An analysis of interviews conducted by the first interviewer showed a systematically different pattern of responses to those conducted by the other interviewers; and

- survey interviews by the main three interviewers were not evenly distributed across local areas. For example, the first interviewer was responsible for 65 per cent of interviews in the London area, but conducted no interviews in some of the other areas.

21. In response to these concerns, the parties submitted further analysis of the different ways the questions were asked and the pattern of responses to individual interviewers. The parties argued that this analysis suggested that any potential bias introduced by the failure to ask the questions in the right way or by having one interviewer conducting a large number of interviews would result in understating the importance of non-radio alternatives. They therefore concluded that the survey might be viewed as giving a lower bound on the significance of non-radio media as a competitive alternative to the parties' stations (to the extent that any interviewer effect exists).
22. We do not agree with these conclusions for two main reasons. First, the survey fieldwork was subject to a number of different problems which are likely to have introduced bias and made the findings harder to interpret than might otherwise have been the case. An analysis of results relating to individual issues is not therefore informative about the effects of a combination of different problems. Second, we noted that these conclusions related to the use of non-radio media as an alternative, rather than the proportion of customers who would consider the other merger party to be their next best alternative (for which no analysis was provided). The parties' analysis of the impact of interviewer effects on customers who chose another radio station as the next best alternative is inconclusive.

The robustness of the existing customer survey results

23. Taking into account sample sizes and the issues with the fieldwork in relation to the existing customer survey, we consider that the survey results need to be interpreted with a great deal of caution. Nevertheless, given the sample size at an aggregate level, we consider that the results are sufficiently robust at this level to attach some weight to them if considered in the context of the other evidence available. Accordingly, we consider estimates of the proportion of respondents who viewed the other merger party as the next best alternative (adjusted to take account of the issues set out in paragraphs 6 to 10 above,) to be broadly indicative, though they should be interpreted with care, as they are subject to a relatively wide and unquantifiable margin of error.
24. We do not consider that it is appropriate to attach weight to the local area results. Samples were small and there are likely to be significant unquantifiable interviewer differences which account for some of the variation in local results. It is therefore difficult to see how meaningful comparisons can be made of results in different local areas and we do not consider that they add informational value beyond the broadly indicative findings in the aggregated results.

Analysis of survey results

Introduction

1. In this appendix we review the two customer surveys that Global commissioned for the purposes of our investigation: the 'existing customer' survey and the 'lost opportunities' survey, a survey of potential customers to whom Global had pitched but was not successful. We then set out third parties' comments on these surveys and finally, we present our assessment.
2. This appendix focuses on the conclusions that may be drawn from the data. We set out in Appendix G our assessment of the quality of the surveys and the implications that this has for our ability to rely on them. This states that we consider the aggregate results of the surveys to be broadly indicative though they should be interpreted with care, as they are subject to a relatively wide and unquantifiable margin of error.

Existing customer survey

Background to the existing customer survey

3. Global commissioned a survey of non-contracted advertisers who had advertised with Global between Q1 2011 and Q2 2012 or RSL during FY2011/12. In total the survey received responses from 548 non-contracted advertisers.¹ It told us that its focus was on contacting customers who purchased from the parties directly rather than via an agency because (a) it was the advertiser who would typically take the final decision over media budget allocation rather than local agencies; and (b) limited contact details are held for advertisers buying indirectly via an agency (RSL holds no contact details for advertisers that purchase indirectly via a non-contracted agency).

¹ Out of 2,592 that the research company attempted to contact.

4. The parties submitted an initial analysis of survey results that covered responses for six overlap areas: London, the East Midlands, the West Midlands, North Wales, South Wales and the North-East. The parties subsequently submitted results for the remaining regions of the UK where Global and RSL stations overlap locally: North West, Central Scotland and Yorkshire.²

Parties' views on existing customer survey

5. The parties told us that one of the key aims of the survey was to find out what media advertisers considered and actually used in campaigns in which they had also used radio. The parties said that the survey showed how advertisers would likely have reacted if their chosen Global or RSL radio station had not been available.
6. The parties said that the survey showed that advertisers considered and used a wide range of media for their advertising campaigns. For instance, 57 per cent of respondents considered using local press for the last campaign where they advertised on Global or RSL³ and 54 per cent of respondents actually used local press in the campaign alongside radio.⁴ A range of other media were also used by respondents alongside radio, including 37 per cent who used posters and outdoor advertising, 36 per cent who used social media and 27 per cent who used magazines.
7. The parties also told us that the survey demonstrated that the majority of non-contracted customers considered a wide range of non-radio media to be interchangeable for radio in meeting overall campaign objectives. For example, 59 per cent of respondents said that local press could be used to meet the same campaign objectives as radio;⁵ 53 per cent said social media; and 47 per cent said posters and

² The results shown are those incorporating responses from all local areas.

³ Question 9.

⁴ Question 10.

⁵ Question 7.

outdoor media. The parties said that this showed that radio was not a 'must have' advertising medium.

8. Although the survey showed that advertisers used multiple media for campaigns, the parties told us that this did not mean that these other media were not direct substitutes for radio. Advertisers were likely to switch spend between different media used in a campaign (ie to reduce or increase the amount of budget that they apportioned to radio depending on the relative attractiveness of the proposals received from each media company) and therefore the parties competed with other media for a share of the overall campaign budget.
9. Respondents were asked what they would have done in the event that the Global or RSL station that they had used had not been available at the time of their last campaign.⁶ Respondents were able to give multiple responses and the parties submitted that simply observing the total percentage of customers who named a particular media option that they would switch spend to in isolation would exaggerate the degree of switching that would occur in practice because it would include respondents who would only switch partially to that option.
10. Instead, if a respondent named multiple alternatives to which they would switch spend, then each of these was given an equal weighting (for instance, if they named two alternatives each of these was given a weighting of 0.5 in the calculation).
11. Using this methodology the parties calculated the proportion of respondents who indicated that they would use other media options. They calculated that the proportion of respondents who would choose non-radio media was 31 per cent if the Global or RSL station used by respondents had not been available compared with

⁶ Question 11.

18 per cent who said other radio options.⁷ The parties told us that this showed that a large proportion of advertisers viewed non-radio media as their next best alternative to the parties' stations.

12. The parties told us that the survey also provided evidence that RSL and Global were not close radio competitors: using the responses to the same question, they calculated that the proportion of respondents who would choose a station owned by the other merger party was 5 per cent compared with 9 per cent who would choose stations owned by third parties. The parties calculated that 10 per cent would choose local press instead of the other party's stations, which the parties said implied that local press was a closer competitor to Global and RSL than the parties' stations were to each other.⁸
13. The parties noted that 34 per cent of respondents would not have chosen any other media option (including other radio) if the Global or RSL station had not been available (ie they would have reduced their campaign spend). They said that this high number was due to each campaign being unique such that no other media alternative or radio station might be a viable alternative in some cases. The parties said that for these advertisers, Global and RSL stations were not close alternatives.
14. The parties told us that the survey also demonstrated that customers were sensitive to the relative price of different advertising options. In particular, 62 per cent of respondents said that they would have switched the majority of their spend away in the event that the price of the Global or RSL station used had been 10 per cent

⁷ The parties also provided survey results which showed that 36 per cent of respondents would have used a non-radio option at least to some extent and 24 per cent would have switched at least some budget to other radio. These were marginally higher (39 and 26 per cent respectively) when the 'don't know' and 'switches to a station owned by the same party' responses were excluded from the sample. The parties said that the key findings of the survey were unchanged by using this alternative methodology.

⁸ The parties also provided results that showed that 9 per cent of their customers indicated that they would have switched at least in part to the other merger party compared with 14 per cent who named a third party station. 12 per cent indicated that they would have switched in part or in full to local press. When 'don't know' and 'switches to a station owned by the same party' responses are excluded from the sample, these percentages are slightly higher: 13 per cent of customers named the other merger party, 19 per cent named a station owned by a third party and 13 per cent named local press.

higher. A further 11 per cent said that they would have switched a proportion of their spend away; and only 3 per cent of advertisers said that they would have continued with the same campaign on the Global/ RSL station at the same price (and therefore increased their spend on radio).

Lost opportunities survey

Background to the lost opportunities survey

15. Global commissioned a survey of advertisers who had actively considered a Global campaign proposal, but who eventually rejected it, between March 2011 and June 2012.⁹ It received responses from 698 respondents¹⁰ in the same regions covered by the existing customer survey as listed in paragraph 4.

16. The parties told us that they focused on contacting those advertisers who would have been direct clients or who would have used a small agency. They tried to exclude customers who used larger media agencies as such agencies were likely to make media buying decisions on behalf of their clients. For advertisers purchasing via a small agency, the parties again contacted the final customer on the basis that the final customer was most likely to make the final decision regarding their media usage.

17. The parties initially submitted an analysis of survey results relating to respondents in six areas: London, the East Midlands, the West Midlands, North Wales, South Wales and the North-East. The parties subsequently submitted results for North West, Central Scotland and Yorkshire.¹¹

⁹ The parties told us that these customers would have spent 2 to 4 hours with a salesperson over two meetings.

¹⁰ Out of 3,002 advertisers that the research company attempted to contact.

¹¹ Where possible, the results shown are those incorporating responses from all local areas.

Parties' views on the lost opportunities survey

18. The parties told us that the aim of the lost opportunities survey was to show what choices advertisers made when they rejected Global's proposal for a particular campaign and to examine to what extent their choice to use radio was affected by the relative price of radio versus other media options. By reference to the OFT/CC joint guidance on good practice in survey design,¹² they argued that asking respondents about actual choices made would overcome problems of bias and measurement error that hypothetical questions could introduce. The parties also referred to two previous CC merger inquiry reports in which they said that the CC had expressed concerns regarding the reliability of hypothetical questions and where the CC had consequently avoided using such questions.¹³

19. As noted above, the lost opportunities survey surveyed advertisers who did not choose to use Global for a particular campaign. The parties argued that the results nevertheless represented the views of radio advertisers and Global customers more generally: 75 per cent of respondents had used radio within the last three years ('radio users') and over 25 per cent had used Global ('Global users'). The parties reported results separately for these two groups of advertisers and told us that in their view the consistency of results across these groups compared with the whole sample demonstrated that the survey as a whole was representative of radio advertisers generally and Global customers.

20. Respondents were asked what other media could be used to meet the same overall campaign objectives as radio. 76 per cent of all survey respondents said local press, 69 per cent said social media and 58 per cent said search engines. The parties told

¹² OFT/CC, *Good practice in the design and presentation of consumer survey evidence in merger inquiries*, March 2011.

¹³ [Zipcar Inc./Streetcar Limited merger inquiry](#) and [Anglo American PLC/Lafarge S.A. merger inquiry](#).

us that these responses showed that radio did not have distinctive characteristics that made it a 'must have' medium for advertising campaigns.

21. Respondents were asked what media they had used for the particular campaign in question and they reported using a variety of non-radio media. The parties reported the total proportion that named each option (ie they did not weight results as they did for the existing customer survey) and said that the results showed that 45 per cent of all respondents used local press instead; 32 per cent used outdoor media and 30 per cent used social media. Compared with this, the parties said that 34 per cent used other radio options for some or all of the campaign and less than 8 per cent used an RSL radio station.
22. The parties said that by observing the media options that advertisers used after rejecting Global's proposal it was possible to assess how closely different media alternatives competed with Global's stations. The parties argued that these results showed that Global competed as much—if not to a greater extent—with local press than with radio. Furthermore, the fact that only a small proportion of advertisers used RSL stations suggested that it was not a close competitor. Global argued that it would therefore be unlikely to have an incentive to raise its prices as a consequence of the transaction because it would lose customers to alternative media.
23. The parties also noted that around 90 per cent of all respondents used at least one non-radio media for their campaign. The parties told us that the vast majority of advertisers had one or more non-radio options that they could threaten to switch to during negotiations with Global.

24. The parties told us that the key findings of the survey remained true when considering 'radio users' and 'Global users'.¹⁴ For 'Global users', 50 per cent used local press; and 37 per cent used radio and 12 per cent used RSL. For 'radio users', 46 per cent used local press; and 43 per cent used other radio and 10 per cent used RSL.
25. The parties told us that observing what media respondents actually used, as well as how their decision to use Global might have been different if it had been less expensive, allowed an assessment of the impact of the transaction. For instance, 63 per cent of respondents said that cost was an important factor when choosing the media to use in 2011¹⁵ and 51 per cent indicated that they would have been very or somewhat more likely to have used Global in the relevant campaign if the proposal had been 10 per cent less expensive.¹⁶ The parties defined those advertisers who said that cost was important and would have reacted as above to a 10 per cent price reduction as being 'price sensitive'.
26. The parties reported that 50 per cent of these 'price-sensitive' respondents used local press to some extent in their campaign, compared with 36 per cent who used another radio station and 9 per cent who used RSL stations. They told us that it was possible to infer from this that advertisers used other media rather than RSL when Global had not priced low enough.
27. The parties told us that the use of more than one media in a campaign did not imply that those media were complementary rather than substitutable for radio. The survey showed that customers did switch spend from radio to non-radio media and therefore that non-radio media was substitutable for radio when the parties' proposals were not

¹⁴ See paragraph 19.

¹⁵ Question 3.

¹⁶ Question 10.

competitive enough. This was particularly true for price-sensitive customers whose decision would be affected by small changes in relative price.

Third party views

28. Bauer told us that it considered the parties' conclusions based on its surveys to be flawed for several reasons.

29. Bauer told us that the merger would have the most impact on advertisers with a preference for using radio, that is, those advertisers who advertised on radio. It told us that it was these customers and their reaction to an increase in prices that would determine whether it would be profitable for the parties to implement a price increase. Therefore it considered that both parties' surveys incorporated the views of too wide an advertiser set, particularly in the case of the lost opportunities survey.

30. Bauer told us that many advertisers used a range of media that complemented each other within an advertising campaign. It said that this joint consumption alone was not evidence of substitutability in the event of a small price increase. Even if different media could be used to achieve the same objective this was not sufficient to prove that they constituted part of the same relevant economic market.

31. Bauer told us that survey respondents would be unlikely to report that they were price insensitive, particularly given that they knew that a radio group had commissioned the survey. Further, it could not be assumed from the fact that some advertisers might have chosen Global if its prices had been 5 to 10 per cent lower that an advertiser with a demonstrated preference for using Global would switch away if its prices were 5 to 10 per cent higher.

32. It noted that approximately one-third of respondents to the lost opportunities survey had not used radio in the last three years. Such advertisers were unlikely to be affected by changes in the price of radio advertising and therefore their responses were irrelevant to understanding the potential impact of the transaction.
33. It noted that the proportion of respondents to the lost opportunities survey who said that they used radio in the campaign for which they rejected Global's proposals was higher for respondents who had used radio in the last three years (43 per cent compared with 29 per cent¹⁷). It also noted that the proportion of advertisers who used RSL was higher for these radio users compared with the sample as a whole (17 per cent compared with 12 per cent¹⁸). Bauer told us that it was these advertisers who were of greater interest in assessing the merger.
34. It submitted that the results of the lost opportunities survey suggested that Global and RSL were closer radio competitors than would be implied by their listener market shares. For instance, in the six regions covered by the survey, RSL had a listener market share of 23 per cent whereas 41 per cent of respondents who used other radio used RSL. It considered that this implied that the parties were closer competitors than the survey data alone suggested. At a regional level it said that more advertisers used RSL in London, South Wales and North Wales than market shares alone would suggest (ie that RSL was a closer competitor to Global than market shares would suggest). It also said that fewer advertisers used RSL in the East Midlands and North-East than market shares would imply. However, it considered that this regional-level analysis should be treated with caution given the low number of respondents who answered these questions.

¹⁷ These results are based on the first wave of surveys incorporating responses from: London, the East Midlands, the West Midlands, North Wales, South Wales and the North-East. The results based on the full survey are 43 and 34 per cent respectively.

¹⁸ The results based on the full survey are 10 and 8 per cent respectively.

35. Bauer told us that a similar proportion of customers named a station owned by the other merging party as named a third party radio station. It told us that this did not support a proposition that the merging parties' stations were not close substitutes.

Our assessment of the survey evidence

36. In the following paragraphs we set out our views on the main conclusions the parties draw from their surveys. As a preliminary point, as explained in Appendix G, we consider that the existing customer survey results need to be interpreted with a great deal of caution. Nevertheless, given the sample size at an aggregate level, we considered that the results are sufficiently robust at this level to attach some weight to the survey. Appendix G also explains that although we have not assessed in detail the quality of the lost opportunities survey, we might expect it to be of a similar quality to the existing customer survey.

The existing customer survey

37. As discussed in paragraphs 5 to 14 above, the parties told us that the existing customer survey showed that:
- (a) the parties' customers used a wide range of media and that radio was not a 'must have' medium;
 - (b) the parties' were not close competitors as they were the next best alternatives for only a very small proportion of respondents; and
 - (c) the relative price of advertising was an important determinant of non-contracted advertiser's media choices and a significant share of respondents were price sensitive.

The parties' customers use a wide range of media and radio is not a 'must have' medium

38. In our view, the existing customer survey suggests that while many of the parties' customers use a wide range of media alongside radio, a significant proportion of their

customers did not use any other media in their last campaign. 15 per cent of respondents said that they did not consider using any other media at the time of their last campaign¹⁹ and 24 per cent of respondents said that they ended up using only radio for their last campaign.²⁰

39. Consistent with this, the existing customer survey also suggests that while many customers could, in general, use other media to meet the same objectives as radio, 9 per cent of respondents said that they could not use any other types of media to meet the same objectives as radio. We also noted that this question was not asked with respect to the respondent's last campaign where they advertised on one of the parties' stations and we noted that the parties told us that advertising campaigns were unique. It is not clear whether other media options would have been able to fulfil the same objectives as radio to the same extent in the context of a specific campaign.
40. The survey also suggests that it is unlikely that radio advertising and advertising on other media are in all cases substitutes or in all cases complementary. We noted that 24 per cent of existing customers would have switched at least partly to other radio if the parties' stations had not been available at the time of their last campaign and that 34 per cent of respondents to the lost opportunities survey who rejected a proposal from Global used other radio in the campaign.

The parties are the next best alternatives for only a very small proportion of respondents

41. The parties told us that the surveys showed that only a very small proportion of their customers viewed the other merger party as the next best alternative and that this

¹⁹ Question 9.

²⁰ Question 10.

was not consistent with the hypothesis that the merger parties are uniquely close competitors.

42. As set out in Appendix G, based on our own assessment of the raw data, we estimated the proportion to be around 8.4 per cent compared with the parties' 5 per cent. Furthermore, weighting responses by expenditure on radio advertising, we estimated the proportion to be between 9 and 11 per cent. These results are aggregated across all of the overlap regions: we noted that we would expect the proportions to be higher in areas where other radio options are weaker or where the parties' stations are closer substitutes and lower in other areas where there are good radio alternatives and the parties' stations are more differentiated by demography and geography.
43. For these reasons, and notwithstanding the issues we discuss in Appendix G about the overall robustness of the results, we consider that the parties' survey results suggest that between 9 and 11 per cent of their non-contracted customers (weighted by spend) across all overlap regions consider the other merger party to be their next best alternative. Taking into account our analysis of the robustness of the survey in Appendix G, we consider this result to be broadly indicative only and subject to a relatively wide and unquantifiable margin of error.

The relative price of advertising is an important determinant of non-contracted advertiser's media choices and a significant share of respondents are price sensitive

44. The parties told us that the existing customer survey showed that the relative price of advertising was an important determinant of non-contracted advertisers' media choices and a significant share of respondents are price sensitive. They said that only 5 per cent of advertisers said that they would have chosen to continue to purchase the same amount and composition of radio advertising airtime in the event

of a hypothetical price increase of 10 per cent and therefore would have spent more to accommodate such an increase.

45. We noted that as described in paragraph 18 above and as noted in the CC/OFT guidance on survey best practice, one of the main sources of bias in a survey is hypothetical bias, where a consumer may indicate a willingness in principle to spend money or change behaviour, which does not reflect their likely real response to the situation described. Such hypothetical bias is a further reason to treat the results to this question with caution especially when considered in the context of the methodological issues discussed in Appendix G.

The lost opportunities survey

46. The parties said that their lost opportunities survey showed that:
- (a) advertisers saw a wide range of other media as meeting the same campaign objectives as radio;
 - (b) advertisers who rejected Global's campaign proposals largely chose to use a range of non-radio media for that campaign;
 - (c) advertisers who said that they had chosen to advertise on a competing radio station did not, in most instances, choose an RSL station;
 - (d) a large proportion of respondents were sensitive to the price of campaigns; and
 - (e) these results held for certain categories of respondent.
47. In our view, the responses of advertisers who have demonstrated a preference for using radio are the most informative. For this reason, we focused on the responses of the groups of respondents that used other radio or Global in the last three years. Broadly we found that the results of the lost opportunities survey are consistent with those of the existing customer survey.

48. We noted that 34 per cent of respondents who turned down a proposal from Global used other radio in the relevant campaign. This is consistent with a proposition that, for some campaigns, other radio is likely to be non-contracted advertisers' next best alternative.
49. We also noted that a material proportion of respondents said that they had used an RSL station instead of a Global radio station. In particular, we noted that 10 per cent of radio users (those who had used radio at some point in the last three years) said that they had used RSL stations and 12 per cent of Global users (those who had purchased a different campaign on Global's stations in the last three years) had used RSL stations. This is consistent with a proposition that for a material proportion of Global's customers, RSL is the next best alternative.
50. We acknowledge that respondents used a wide range of media for the campaign in question. While this shows that advertisers used one or more alternatives instead of radio, the CC does not agree with the parties' view that the propensity to use different media options (as reported in paragraph 21) is a basis on which to assess the relative closeness of competition with radio. In particular, it is not clear from the responses which media were purchased as a direct result of turning down Global as opposed to being options that would have been purchased in any event. In other words, this does not reveal what media respondents substituted towards. In particular, it is not appropriate to infer from the high proportion of lost opportunities respondents who used local press that in all cases this was considered to be substitutable for radio. We consider that in some instances radio advertising and advertising on other media will be substitutes for one another and in some cases they will be complementary to one another. For instance, 54 per cent of existing customer respondents used local press alongside Global or RSL.

51. For similar reasons we place little weight on the inference drawn by Bauer that, because more advertisers used RSL than would be implied by their market share, the parties are closer competitors than their listener market shares would imply. Again, it is not clear to what extent the use of RSL reflected substitution rather than potential complementarity between their stations.

Analysis of average price, market share and concentration

Introduction

1. Radio companies agree prices with customers through bilateral negotiation. The price a customer is able to agree is affected by the alternatives available to that customer.
2. We would expect the average price emerging from a radio station's negotiations with all its customers to be related to how good other media, including other radio stations, under different ownership are as alternatives to that radio station. A radio station whose customers have few good alternatives under different ownership is likely to obtain a relatively high average price; while a radio station whose customers have lots of good alternatives under different ownership is likely to obtain a relatively low average price.
3. Of particular importance in the context of a merger of radio companies is the extent to which radio companies are alternatives to each other for customers of the merging radio stations. If other media, such as newspapers, are good alternatives for all customers of radio stations, we would not expect to see average price related to the number or quality of radio station alternatives. On the other hand, if some customers have a preference for radio, we would expect to see some relationship between a station's average price and the number and quality of radio station alternatives to that station. In this context, it is the alternative radio stations under different ownership that are relevant since it is only these to which a customer with a preference for radio for a particular campaign can switch (or threaten to switch) in order to achieve a lower price.

Summary

4. In this appendix, we consider whether station average price for non-contracted advertisers is related to measures of radio station alternatives. As explained below, we use two measures of the radio alternatives to each radio station:
 - (a) The total share of commercial radio station listening hours in the radio station's TSA of all radio stations owned by the company that owns the radio station concerned (company share).
 - (b) A measure of concentration of ownership in that TSA (HHI),¹ also based on shares of commercial radio station listening hours.

5. Our results suggest that the presence of fewer good radio alternatives, and/or where the radio alternatives are not as good, as measured by higher company share and HHI, is associated with higher prices. They also suggest that the relationship is robust and economically significant. We regard this as indicative of a general tendency across all stations. Since there are individual local factors affecting each area, we do not consider it appropriate to use the results directly to estimate the effect on prices of the merger in overlap areas. Therefore this analysis informs but does not replace the area-by-area analysis of the effect of the merger that we carry out in Section 7 of this report.

6. Global said that our analysis was subject to a number of methodological shortcomings, including inappropriate measures of market concentration and making an unrealistic assumption that non-radio competition was constant across local areas, and that these undermined the value of our analysis. We disagree. We consider Global's points in detail below (see paragraphs 31 to 35), but our key points are: since a radio station's appeal to advertisers depends on its appeal to listeners, listening concentration is appropriate as a measure of concentration; we saw no

¹ Hirschmann-Herfindahl index of concentration.

evidence to suggest that any variation in non-radio competition explained our finding that higher radio concentration was associated with higher prices; and that in any case our analysis does allow for regional variation in non-radio competition. Global also said the results of our analysis were not robust once account was taken of a mis-allocation of revenue from airtime sold as part of a 'package' covering both [X] and [X] stations (eg within Global's '[X]' airtime package). Again we do not agree (see paragraph 36). We consider that Global has overstated the impact of this issue, and that in any case our main finding, that higher radio concentration is associated with higher prices, remains robust even were we to adopt Global's proposed approaches to dealing with the issue.

Data used

Average price

7. We focus on non-contracted customers because non-contracted customers negotiate on a campaign-by-campaign basis, often to purchase advertising from a single station, and the station price will therefore tend to reflect the specific alternatives available to that customer for a specific station. By contrast, prices for contracted customers are the result of negotiations across all stations and the price for any specific station may not closely reflect the alternatives to that station (as both sides of the negotiations are more likely to be concerned with the overall outcome than the outcome for specific stations). Nevertheless as a check we also consider contracted prices (see paragraph 25(b)).

8. As our main measure of station average price, we use weighted average CPT for non-contracted customers of Global and RSL.² This has been calculated by the parties from underlying data for each campaign. We note that data on weighted aver-

² Weighted average CPT is calculated from data on revenue and impacts. Revenue from advertisements that are longer or shorter than 30 seconds is adjusted to the equivalent revenue for a 30-second advertisement at that time of day, week and year.

age CPT [X].³ We also carried out some initial work using rate-card prices for non-contracted customers (see paragraph 12). We only have full information on weighted average CPT for Global and RSL; consequently, we limit our analysis to Global and RSL local radio stations.⁴

Customers' alternative radio stations

9. We have little information on the radio stations that individual customers regard as alternatives to the Global and RSL station or stations that they purchase advertising on.⁵ However, in general, customers of a given radio station can be expected to regard stations broadcasting to a similar geographic area as alternatives. A possible measure of alternatives would therefore be the number of commercial radio stations broadcasting to the same area. However, the areas to which commercial radio stations target their advertising (TSAs)⁶ are not necessarily similar, and radio stations with few listeners are less likely to be a good alternative than those with many listeners. Bearing in mind also that we are interested in alternatives under different ownership, we therefore measure for each Global (RSL) station the total share of commercial radio listening hours in that station's TSA held by all Global (RSL) stations. We describe this as the company share. We consider that the higher this company share, the fewer alternatives customers will in total tend to have to the Global or RSL station concerned.

10. The company share does not reflect the distribution of commercial radio listening hours held by other companies. For example, if the company share is 40 per cent, the alternative radio stations might be owned by one radio company which has 60 per cent of listening hours in the station's TSA, two companies with 30 per cent

³ Data on adjusted revenue (see previous footnote) and impacts is not available for all campaigns. Hence, weighted average CPT is not available for all campaigns.

⁴ Global's national station (Classic FM) is excluded from the analysis.

⁵ For many customers we have information on the postcode recorded by the parties, but this is not necessarily an indicator of the area of the country in which the customer is seeking to advertise. For a few customers, we have information from the parties' existing customer survey.

⁶ Total survey area, ie the area over which the station has requested its listeners are measured by RAJAR.

each or three companies with 20 per cent each. To take account of this, we also use the HHI⁷ (a measure of market concentration) for commercial radio listening hours as a further measure.

11. The company share and the HHI cannot be regarded as exact indicators of the strength of the radio station alternatives available to a radio station's customers. For example, a rival company's station or stations are likely to be closer alternatives the more closely their demographics match those of the Global or RSL station(s). A rival company's station or stations are also likely to be closer alternatives the more closely their TSAs, or individual transmitters if selling advertising on a transmitter basis, match those of the Global or RSL station TSA. Additionally, for computational simplicity, our calculations of station share and HHI include listening to national commercial radio stations which are likely to be a weak alternative for most non-contracted advertisers (because, though national commercial radio stations sell advertising on a regional basis, their regional advertising areas are much wider than the TSAs of most local radio stations). Nevertheless, we consider that the company share and the HHI are reasonable as approximate indicators of the average strength of the radio station alternatives available to a radio station's customers.

Initial analysis

12. As an initial analysis, we looked at the relationship between each station's rate-card prices and company share in the station's TSA. The chart below suggests that higher rate-card prices tend to be set where a company has a larger share of listening hours. The chart also suggests that higher prices are associated with certain brands.

⁷ Hirschmann-Herfindahl index of concentration. This is calculated as the sum of the squares of the market shares.

FIGURE 1

Comparison of station non-contracted rate card with company share in station's TSA, 2011/12



Source: CC calculations on data supplied by Global and RSL (Gold and Real XS have been omitted).

13. Two possible issues with the analysis in the chart are that it does not allow for discounts on rate-card prices⁸ and that there may be further factors that affect prices that are not allowed for in the chart.
14. We therefore carried out further analysis that focused on average prices (weighted average CPT) and used a technique (multiple regression analysis) which in principle is able to quantify the impact of a number of different factors. In this analysis, we looked at the impact on average CPT of both company share and HHI, and included brand and a number of other factors.

Other factors included

15. In addition to company share or HHI, we included the following factors (sometimes referred to as control variables) in the analysis on the grounds that they may affect average CPT:
 - (a) The radio station brand (ie whether, in the case of Global stations, it was branded Heart, Capital, Gold, XFM, Choice or LBC; and, in the case of RSL stations, Real, Smooth or Real XS): Figure 1 illustrates that brand may have an impact on price.
 - (b) The station's share of listeners in its TSA. It might be that advertisers prefer stations with a higher share of listening and, if so, stations with a higher listening share might be expected to have a higher average price. We therefore include each station's share of listeners in its own TSA as well as the total share of all stations of its owner (or the HHI).

⁸ See Appendix K.

- (c) The average age of the station's listeners. Demand for advertising to older listeners may be higher, relative to supply, than for younger listeners (or vice versa). Consequently, the price of advertising may vary with the average age of stations' listeners.
- (d) A proxy for income of the station's listeners (percentage of the station's listeners in ABC1 socio-economic group). Similarly to (c), demand for advertising to higher income listeners may be higher, relative to supply, than to lower income listeners (or vice versa). Consequently, the price of advertising may vary with the average income of stations' listeners.
- (e) The percentage of listening hours accounted for by female listeners. For similar reasons to those given for age and income, the price of advertising may vary with the percentage of stations' listeners that are female.
- (f) The year and quarter concerned, since advertising prices tend to fluctuate over time.
- (g) We also allowed for the possibility that average prices were different between direct customers of Global/RSL and those who book advertising through an agency. Average prices might be different if there is a systematic difference in bargaining power between direct and agency customers.
- (h) The region in which the station is located. This allows for the possibility that there could be underlying differences in advertising prices between regions, for example because of differences in the strength of the constraint from other media. It could also be a further proxy for income.⁹

16. We considered whether we should seek to include a measure of the constraint from press, the Internet and other advertising. These other types of advertising are available across the country, and hence it was not clear to us that they would be likely to be associated with differences in average CPT across TSAs. Also, there did not

⁹ We carried out the analysis both including and excluding regional effects.

seem to be any readily available measure. We therefore did not include a measure of the constraint from press, the Internet and other advertising, though as noted in the previous paragraph, we did include regional effects, which would capture any regional differences in the strength of the constraint from other media.¹⁰

Results

17. The results of the regression analysis are set out in the [annex](#). These show four specifications of the regression equation: specifications 1 and 2 exclude controls for regional effects, while 3 and 4 include them; specifications 1 and 3 use HHI as the measure of the average strength of alternatives available to customers, while 2 and 4 use company share. In all four specifications, the effect of company share or HHI on average price is statistically significant.¹¹ It should be noted that the results reflect the estimated impact on average CPT of each possible explanatory factor, holding other explanatory factors constant.

18. The estimated effects of company share or HHI are summarized in the table below. Looking, for example, at specification 3, the effect of company share being ten percentage points higher is associated with average non-contracted CPT being £[~~xxx~~] higher—that represents about [~~xxx~~] per cent of the average non-contracted CPT across all stations of £[~~xxx~~],¹² but would represent a [~~xxx~~] percentage of the current average price for Heart stations (around [~~xxx~~] per cent).¹³ We note, however, that the confidence intervals around this estimate are quite wide.

¹⁰ The effect on average CPT of the constraint from other media will be captured in our equation in the constant term, and any regional differences in the strength of the constraint from other media will be captured via the regional effects (see Annex).

¹¹ We calculated standard errors that are robust to heteroskedasticity and clustered by region.

¹² This is a simple average of the average non-contracted CPT across the period for all Global and RSL stations. It is not weighted by impacts.

¹³ We estimate the weighted average CPT to non-contracted customers for Heart stations in 2012Q3 was £[~~xxx~~].

TABLE 1 Estimated impact of company share or HHI on average CPT

Specification	£			
	10% point share increase*		Increase in share to 100%†	
	Central estimate	95% confidence interval	Central estimate	95% confidence interval
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]
[X]	[X]	[X]	[X]	[X]

Source: CC calculations based on regression results in the annex.

*Effect in £ per thousand impacts of increase of 10% points in company share in TSA.

†Effect in £ per thousand impacts of increase in company share in TSA to 100%.

Note: Effects are estimated assuming average company share of [X] per cent and average HHI of [X]. Except in the case of the 10% point company share increase in specifications 2 and 4, the effect will vary according to company share and/or HHI in the TSA, but estimates assuming average values give an indication of average values across all TSAs of Global and RSL stations. In calculating the effect on HHI (specifications 1 and 3) we assume company share is 10 per cent higher with no other changes. Confidence intervals are calculated from standard errors that are robust to heteroskedasticity and clustered by region.

19. The table also shows the implied effect of increasing company share to 100 per cent (HHI of 1)—for specification 3, this would be an increase in average non-contracted CPT of £[X] (representing about [X] per cent of the average non-contracted CPT for all stations, [X] per cent of that for Capital and [X] per cent of that for Heart). We note a possible implication that a hypothetical monopolist over non-contracted advertising (which would have a 100 per cent share of commercial listening) would be able to increase prices by more than 5 per cent, though we again note that confidence intervals are quite wide. We also note that a 100 per cent share of commercial listeners is outside the range actually observed in any TSA; and that any assessment of the ability of a hypothetical monopolist to increase prices needs to take account of sales to contracted as well as non-contracted customers.

20. In relation to the other explanatory factors included in the equation (see paragraph 14), the results suggest the following:

(a) Radio station brand is an important explanation of differences in non-contracted average CPT: [X].

- (b) Station share is not statistically significant as an explanation of differences in non-contracted average CPT, at least when brand is included in the analysis.¹⁴
- (c) Stations with a higher average age of listeners tend to have a slightly higher price (and this effect is statistically significant).
- (d) Stations with a higher percentage of listeners in the ABC1 socio-economic groups tend to have a higher price (but this effect is not statistically significant).
- (e) Stations with a higher percentage of female listeners tend to have a higher price (but this effect is not statistically significant).
- (f) Price [X].
- (g) Direct customers [X].
- (h) Some regional effects in specifications 3 and 4 are statistically significant but some are not—as these regional effects are hard to interpret, we have also considered specifications 1 and 2 which did not allow additionally for regional effects.

Interpretation of the results

21. We would make three main points about the interpretation of the regression results.
- (a) We interpret the results as indicating a tendency for fewer good radio station alternatives and/or where other radio alternatives are not as good (as reflected in higher station share and HHI) to be associated with a higher average non-contracted price. We consider that the results are relevant to our assessment of the merger.
 - (b) Any tendency for higher company share and HHI to be associated with a higher average non-contracted price may only be manifested over the longer term. On the basis of general information about the market, we consider that the results may occur because of long-standing differences between stations in terms of rate-card and average price. The results indicate that these are associated with

¹⁴ If we exclude radio station brand from the analysis, the effect of station share is statistically significant. This reflects that the higher-priced brands tend to have a higher share of listening hours.

differences in company share and HHI, which in many cases may also have existed for a considerable time. This suggests that an increase in company share or HHI would lead to an increase in average non-contracted price, but the effect would build up over time and the full effect would only occur over the longer term.¹⁵

(c) We do not consider that the results can be used to simulate the effects of a specific merger on average price, even over the longer term. This is because the estimated effect of higher company share and HHI represents an average effect across all areas and additional analysis is required to take into account the individual characteristics of stations within their local areas.

22. It is also important to consider whether there are other explanations for an association between company share/HHI and average price. For instance, this could be the case if a company's average price to non-contracted advertisers had an effect (within the same period) on the listening share of its stations, or if another factor or factors omitted from the regression equation affected both average price and company share/HHI.¹⁶ We considered the following points:¹⁷

(a) A station's or company's policy regarding advertising minutes per hour might affect both its price and its share of listening hours. For example, other things equal, we might expect a station or company which has fewer target minutes of advertising per hour to have higher advertising prices (because it has less advertising to sell) and more listeners (if listeners prefer stations with fewer advertising minutes).

(b) If the quality of a station's or company's offer to advertisers unexpectedly increased for any reason, we might expect both its fill rates and its average prices

¹⁵ We were not able to investigate the time it took for changes in company share or HHI to affect average CPT as our data covered too short a period.

¹⁶ This is often referred to as endogeneity.

¹⁷ These points are relevant to estimates of the effect on price of station share and company share. They are also relevant to the effect on price of HHI if the company has a larger share of listening hours in the TSA than all or most other companies.

to advertisers to increase. An increase in fill rates would mean more advertising minutes per hour and, if listeners dislike more advertising, to a lower share of listening (though this might depend on company policy regarding usage of unsold advertising space—if it is used to promote the company’s stations rather than for additional content, such as music or speech, there seems no reason to expect an effect on listening).

- (c) If the quality of a station’s or company’s offer to listeners unexpectedly increased for any reason, we would expect it to gain listening share. A gain in listening share might lead to a decline in CPT in a following period if listening figures are not known at the time prices are agreed (because a gain in listening would imply more impacts and hence lower CPT than expected at the time prices are agreed).

23. Our views on these three points are as follows:

- (a) Our data relates to Global and RSL over Q4 2008 to Q3 2012 and over this period our understanding is that [REDACTED] have had a policy of seeking to fill [REDACTED] or [REDACTED] minutes of advertising per hour on all their stations. We therefore do not consider that there are material differences in target advertising minutes per hour between the stations or companies that are included in our data. Additionally, we note that Global told us that all its and RSL’s stations competed for listeners with the BBC, which carries no advertising. It seems to us that the constraint from the BBC is similar across stations and over time and that is a further reason why we would not expect differences in target advertising minutes per hour to have material effects on the analysis.
- (b) We are not aware of any evidence suggesting that increases in fill rates are associated with stations becoming less attractive to listeners. Indeed, we note that Global told us that [REDACTED], implying that, within the policy set out at (a), the

number of advertising minutes per hour does not affect the number of listeners.¹⁸

Furthermore, even if (b) did occur, its effect would be to reduce the estimated effect of station and company share and HHI on price, and thus the implication would be that our analysis had underestimated the effect of these factors on average CPT.

(c) Any effect from (c) would be likely to be a short-term effect (because it is associated with a quarter-on-quarter change in the number of listeners). We would not expect it to have a material effect on our analysis which focuses on the differences between stations, ie is principally a cross-section analysis. Furthermore, as with (b), its effect would be to reduce the estimated effect of station and company share and HHI on price, and thus the implication would be that our analysis had underestimated the effect of these factors on average CPT.

24. Our current view is therefore that these factors are unlikely to explain the positive relationship observed between company share/HHI and average price.

25. We also carried out further regressions to test the robustness of the results:

(a) In order to check whether our separate weighted average CPTs for direct and agency customers affected the results, we recalculated the regression with a single weighted average CPT. The results were similar.¹⁹

(b) In order to check whether higher non-contracted average CPT might be offset by lower contracted average CPT, we carried out the same exercise for contracted average CPT. This gave no support to the idea that higher non-contracted average CPT was offset by lower contracted average CPT. Higher HHI and company

¹⁸ Since Global suggests that higher radio advertising prices would cause advertisers to switch to other media and hence to fewer radio advertising minutes per hour, its statement that there is no feedback from higher advertising prices to listeners implies that fewer advertising minutes per hour has no impact on listeners.

¹⁹ In specifications 1 and 3, the coefficients on HHI were positive and somewhat higher than those shown in the [annex](#). In specifications 2 and 4, the coefficients on company share were positive and very similar to those in the [annex](#). All coefficients on HHI and company share were statistically significant at the 5 per cent level.

share was associated with higher average contracted CPT, though in the case of HHI the effect was not statistically significant.

- (c) As a further check, in relation to specifications 3 and 4 we estimated a slightly different regression equation, which related the log of non-contracted CPT to the log of HHI and log of company share. Results for these versions of specification 3 and 4 were similar: HHI and company share remained statistically significant²⁰ and the coefficients on the other explanatory factors remained similar. This further analysis suggests the results are robust.

Global's comments on this analysis

26. We sent our initial analysis to Global.

27. Global said that our analysis was subject to a number of methodological shortcomings that undermined its value.

(a) Global said that we had focused on a measure of concentration relating to the listener side of the market rather than the more obvious advertiser side of the market. It added that, because our measures of concentration in a station's TSA included all stations with listeners in that TSA, it did not accurately reflect the genuine radio options available to advertisers in each station's TSA and was not fit for purpose.

(b) Global said that our analysis made the unrealistic assumption that the non-radio competitive constraint was constant across local areas and across advertisers. It added that it was in order to address these issues that it had commissioned two surveys to assess the strength of regional competition from non-radio media. In Global's view, survey evidence, unlike the price/concentration approach, was

²⁰ In the log version, HHI remained statistically significant at the 5 per cent level; company share was significant at the 10 per cent level but not at the 5 per cent level.

able to take account of the heterogeneous nature of advertiser choices and to allow for variation in the competitive constraint of non-radio media.

- (c) Global said that our focus on ‘listener shares’ as a measure of concentration made any results difficult to interpret. In its view, a radio station with a greater audience would be likely to command a higher price per slot because a station with a larger audience could guarantee advertisers a larger base of ‘unique’ listeners to each advertising slot, reducing the prospect of hitting the same listeners multiple times if an advertisement was repeated to increase the total number of impacts. Hence, Global said, any observation that prices were linked to stations’ shares of audience might in fact simply be driven by efficiency, and not be the result of stations facing different competitive constraints.
- (d) Global said that many of the variables that, a priori, it would expect to influence prices were found to have no statistically significant relationship with prices in the CC’s model, suggesting that the model did not provide a good basis for identifying the factors that actually affected prices. In this context, Global mentioned that it would expect (i) stations’ share of listeners to show a positive relationship with prices (see previous subparagraph); and (ii) the affluence of an audience to exhibit a strong positive relationship with advertisers’ willingness to pay for a campaign. However, Global noted that our analysis (i) had not shown a positive relationship between stations’ share of listeners and prices; and (ii) had not identified a significant relationship between our income proxy and price.

28. Global also said that the core finding of our analysis was not robust once account was taken of airtime on [redacted] stations being sold as part of a ‘package’, often alongside airtime on [redacted] (eg within Global’s [redacted] airtime package). [redacted] Global said that [redacted] stations (which accounted for [redacted] per cent of the stations in the data [redacted]) had fewer listeners than [redacted] stations, and consequently its mis-allocation of revenue from its [redacted] airtime package had the effect of artificially increasing the calculated average

CPT on [X] stations, with the result that calculated CPT rates did not reflect the CPT rate that advertisers would pay for [X] on a stand-alone basis.²¹ As an example, Global calculated CPT for [X] including and excluding the [X] airtime package, illustrating that the inclusion of the [X] airtime package increased average CPT for [X] in Q1 2011 to Q3 2012 from [X] to [X]. Global said that the analysis needed to take into account its misallocation of revenue from [X] airtime packages. It adjusted for this in two ways: first by excluding all [X] stations from the analysis; and second by excluding all non-standard airtime sales. Global said that the vast majority of its results from these analyses did not show a statistically significant relationship between price and local market radio concentration. In Global's view, this suggested that the finding in our working paper of a statistically significant relationship between price and concentration was not robust.

Our observations on Global's comments

29. We consider first Global's comments on methodological issues and then the implications for our analysis of Global's mis-allocation of revenue from [X] airtime packages.
30. We do not agree that the methodological issues raised by Global undermine the value of our analysis. We set out our detailed reasons below.
31. We have the following specific observations in regard to our measure of market concentration:
 - (a) In principle, listening share is suitable as a measure of concentration because a radio station's appeal to advertisers depends on its appeal to listeners. This point was noted by Global in its initial submission, where it stated:

²¹ Global said that, by 'stand-alone price', it meant the price that advertisers were observed to obtain when they negotiated with Global for airtime on a station on its own. Global said this was the price that was most relevant to an analysis seeking to assess whether radio concentration within a particular station's TSA affected the ability of advertisers to negotiate competitive prices on that station.

The relationship between listener numbers and competition for advertisers is direct. The majority of radio advertising is bought and sold on the basis of the cost per thousand impacts (or 'CPT'). The higher the number of listeners, the more valuable the slot becomes as the impacts of each slot increase.²²

(b) As noted in paragraph 11 above, we do not regard our measures of concentration (company share and the HHI) as exact indicators of the strength of the radio station alternatives available to a radio station's customers, but we do consider that they are reasonable as approximate indicators of the average strength of the radio station alternatives available to them. There is nothing in Global's comments to suggest that these measures of concentration are invalid as approximate (rather than exact) indicators of the strength of the radio station alternatives available to a radio station's customers.

(c) Non-contracted advertising revenue is not suitable as a basis for measuring concentration since it is potentially affected directly by the price of advertising to non-contracted customers, leading to problems in estimating the relationship.²³ Furthermore, allocation of non-contracted advertising revenue to TSAs requires the type of complex and extensive exercise we have carried out for the overlap areas in Appendix L, and it would have been disproportionate and unnecessary to do this for all Global and RSL TSAs when listening shares are readily available.

32. In relation to competition from other non-radio media, we make the following points:

(a) We have not assumed that competition from other non-radio media is constant across all customers. We use data on weighted average CPT and therefore make

²² [Global initial submission](#), paragraph 5.5.

²³ Global refers to this in its comments, stating that using revenue share may suffer from endogeneity bias due to the fact that prices and advertising shares were likely to be simultaneously determined. Global also said that an instrumented model would therefore most likely be required to remove this bias, but in our view, the most obvious instrument for revenue share is listening share.

no assumption about the constraint from non-radio media being constant across the customers of a particular station. For example, if there are some customers of each station for whom non-radio media is a strong constraint and others for whom it is a weak constraint, such differences will in general not affect weighted average CPT.

- (b) We have also not assumed throughout our analysis that the average constraint from non-radio media is constant across all local areas. Our approach in effect allows for the average constraint from non-radio media to differ between regions in specifications 3 and 4 of our equation (albeit not to vary between localities within regions).
- (c) We see nothing in Global's response to suggest that we would falsely observe a positive relationship between concentration and price. Variations in the strength of competition from non-radio media would only explain our results if areas with weak competition from non-radio media also had high radio concentration (and vice versa) and therefore 'took away' the power of radio concentration to explain differences in CPT. In this context, we have seen no evidence that areas with weak competition from non-radio media also have high radio concentration (and vice versa), and note that Global provided no evidence that this was the case. In its submissions and other evidence, we understood Global to suggest that the constraint from non-radio was strong in all areas—for example, Global told us 'almost all non-contracted advertisers are likely to – and in the case of Global's non-contracted customers do – actually switch to non-radio media if a radio station's proposal is not sufficiently compelling (eg if it is not priced sufficiently competitively)'.
- (d) We also note that the survey evidence available to us (which we consider in Appendices G and H) has not shed any light on local or regional differences in the strength of competition from non-radio competition. This is for two reasons. First, as discussed in Appendix G, the parties' survey of existing customers has

not provided any reliable evidence on regional differences due to small sample sizes and shortcomings in the fieldwork. Second, the parties' surveys were limited to questions about respondents' closest alternatives, and did not seek to ask about the strength of other alternatives.²⁴ Information from the parties' surveys is therefore limited to differences in the proportion of respondents giving non-radio media as their closest alternative. But any regional differences in this proportion (even if reliable) would provide at best very weak evidence on the strength of competition from non-radio media. This is because the simple proportion of respondents giving non-radio media as their closest alternative to a Global or RSL station is likely to be lower the more and stronger radio alternatives there are to the Global or RSL station that the respondent used or considered using. Respondents' answers would therefore tend to reflect the strength or weakness of radio alternatives, rather than the strength or weakness of the constraint from non-radio media. This is likely to be the case even if (as we understand Global to be suggesting in most of its submissions), non-radio media is a strong constraint for all customers in all areas either as a first alternative or a second or subsequent alternative.

33. We make the following points on the other methodological issues raised by Global:
- (a) We agree that a radio station with a greater audience would be likely to command a higher price per slot because a station with a larger audience can guarantee advertisers a larger base of unique listeners to each advertising slot. However, we measure the price of advertising by CPT, not price per slot, and it is unclear why CPT as well as price per slot would be higher for a station with a larger share of audience.

²⁴ An intrinsic limitation of survey evidence is that there is a limit to the complexity of questions that can be asked of respondents to a survey—it is unclear whether survey information could usefully go beyond a simple assessment of respondents' closest alternatives.

- (b) Furthermore, in our analysis we include both stations' share of listening hours and the concentration of listening hours in stations' TSAs as possible explanatory variables. We therefore allow for the possibility that CPT is linked to stations' shares of audience as well as, or instead of, concentration.
- (c) We do not consider that Global has explained adequately the a priori reasons for its expectations about the effect of certain variables on CPT:
- (i) As noted in (b) in this paragraph, it is not obvious why a higher station share should be associated with higher CPT (as opposed to a higher price per slot).
 - (ii) The relationship between income and CPT is also not obvious, since CPT is likely to depend on supply-side factors as well as advertisers' willingness to pay for a station's airtime. This would be the case even if advertisers have a higher willingness to pay to reach stations with a higher income audience, which seems to us unclear.²⁵ Any effect on price would depend also on the audience of competitor stations and other media: if all stations appeal to the higher-income audience, competition to reach the higher-income audience would be stronger and there would be no reason to expect prices to be higher).
- (d) Additionally, even if we accepted Global's a priori expectations about the effect of certain variables on CPT, Global's conclusion (that our analysis does not provide a good basis for identifying the factors that actually affect prices) would not follow. This is because these effects may be captured in our analysis via the effect of brand or the average age of stations' listeners on price, or in specifications 3 and 4 by regional effects.

²⁵ We might expect advertisers to have a higher willingness to pay to reach a station with a higher-income audience if the higher-income audience spent more and were at least as likely to be influenced by advertisements compared with a lower-income audience and if sellers of products purchased by the higher-income audience spent proportionately at least as much on radio advertising as sellers of products purchased by a lower-income audience. It is unclear that all these conditions are met.

34. We have considered carefully the points Global raised about the effect of its mis-allocation of revenue from the sale of [X] airtime packages in the data we used in our analysis. Our analysis is based on data provided by Global and RSL, and we note that, prior to receiving the price/concentration analysis working paper, Global had never previously drawn our attention to its mis-allocation of this particular revenue stream. We do not agree that this single issue shows that our analysis is not robust:

- (a) Global provided evidence that its mis-allocation of one particular revenue stream had led to an [X] CPT for [X] in [X] quarters for which we used data in our analysis. We note, however, that Global did not provide similar evidence for any other [X] station. We compared average CPTs for other [X] stations with average CPTs for [X] stations in the same area, but did not see evidence of a similar problem for the other [X] stations.²⁶ Therefore, we do not consider that Global has provided adequate reason to exclude all [X] stations from the analysis, nor to limit the data to ‘standard airtime’, ie to exclude from the analysis [X] and all other non-standard revenue.
- (b) If we exclude just [X] from the data, it makes little difference to our estimated effects—that is the estimated coefficients on concentration are robust to the exclusion of the observations which appear to have been affected by Global’s mis-allocation of its revenue from [X] airtime packages.
- (c) We also note that under Global’s two proposed approaches (excluding all [X] stations and excluding non-standard airtime), concentration continues to have a positive effect—higher concentration continues to be associated with higher prices (though for most specifications the effect is no longer statistically significant).²⁷

²⁶ In addition to [X] in 2011 and 2012, we saw one other anomalous observation.

²⁷ In the equations excluding [X], we found that in specifications 1 and 3 HHI was not statistically significant, but in specifications 2 and 4, company share was statistically significant. In the equations excluding non-standard airtime, neither HHI

35. Global also pointed out that [REDACTED] stations [REDACTED]. We note that there are also other brands with [REDACTED]. We do not consider that these are reasons for excluding them from the analysis.

(specifications 1 and 3) nor company share (specifications 2 and 4) was statistically significant. We note that our results were not exactly the same as those given in Global's response since Global's calculations attributed Global's company share to RSL stations due to Global having misunderstood the data set.

Estimation methodology

Data

1. Our analysis used a panel of quarterly data of more than 800 observations, for 57 local Global or RSL radio stations in the period from Q4 2008 to Q3 2012. Out of the total radio stations, 43 are Global (of which 14 are Heart, nine are Capital, 15 are Gold, two are LBC, two are XFM and one is Choice) and 14 radio stations are RSL (of which six are Real, two are Real XS and six are Smooth).
2. As regards the allocation of local radio stations to regions, we used 12 regions (East Anglia, East Midlands, London, North-East, North Wales, North-West, Scotland, South-East, South Wales, South-West, West Midlands and Yorkshire) as defined by the main parties. Eight out of the 57 radio stations were located in London, nine in the South-East, eight in East Anglia, three in the East Midlands, three in the North-East, three in North Wales, six in the North-West, four in Scotland, three in South Wales, four in the South-West, three in the West Midlands and two in Yorkshire.
3. Our data sources are the main parties' (Global and RSL) submissions data sets and RAJAR figures downloaded through the software Ralf II.

Construction

4. We constructed our dataset in the following manner:
 - (a) We used Global and RSL data submissions to construct our dependent variable (non-contracted average CPT). The main parties' data was available on a monthly and quarterly basis.
 - (b) We used RAJAR figures for station and company shares of listeners and HHI. Also, we used RAJAR figures provided with some demographics that are used in the analysis. RAJAR figures are available on a quarterly basis.

(c) Global and RSL submitted data from Q1 2007 until Q3 2012. However, we dropped observations that were prior to Q4 2008. The reason for this is that Global's data covering the period Q1 2007 to Q3 2008 was considered [redacted] by Global.¹

Econometric specification

Main specification

5. Our initial methodology involved estimating the following pricing equation:

$$(1) CPT_{idt} = CONSTANT + D_{idt}\beta_1 + COMPANY_SHARE_{i,t}\beta_2 + HHI_{i,t}\beta_3 + STATION_SHARE_{i,t}\beta_4 + B_i\beta_5 + L_{i,t}\beta_5 + Q_t\beta_6 + \bar{R}_t\beta_7 + \varepsilon_{i,t}$$

Where CPT_{idt} is the variable of interest. CPT_{idt} represents the weighted average cost per thousand impacts paid by non-contracted customers² to radio station i in quarter t and d indicates whether the data is for direct or agency customers. CPT is calculated as the summation of total revenues divided by the total number of impacts across different customers in each quarter. The number of impacts is the estimated number of listeners at the time the advertisement is broadcast³ (proxied by the RAJAR estimate of the number of listeners to an advertisement at a similar time of day and week in a previous quarter).

6. D_{idt} is a dummy variable that takes value 1 if the customer buys directly from the radio station and 0 if the customer buys through an agency.

7. $COMPANY_SHARE_{i,t}$ represents the percentage of listening hours to Global or RSL over the total commercial listening hours in each radio station TSA.

¹ The parties told us that data [redacted]. It was therefore not possible to calculate CPT [redacted].

² Non-contracted advertising is conducted at the local or regional level and it is purchased on a campaign-by-campaign basis.

³ There is an adjustment for an advertisement length to 30 seconds.

8. $HHI_{i,t}$ represents the Herfindahl Index for each radio station TSA and it equals the sum of squares of each of the company shares for Global, RSL and four other relevant radio groups (Bauer, Absolute, UTV and Orion) in each radio station TSA.⁴
9. B_i is a dummy variable for each of the current Global/RSL local radio brands (Heart, Capital, Gold, XFM, Choice and LBC/Real, Real XS and Smooth respectively) and reflects the impact of unobserved characteristics (such as associated customer types for each radio station, radio station reputation, etc) on the level of prices.
10. $STATION_SHARE_{i,t}$ represents the percentage of listening hours to each radio station divided by the total commercial listening hours in the radio station TSA.
11. The rest of the variables are further controls in the pricing equation. $L_{i,t}$ is a vector that represents the demographics for each radio station in each TSA. $L_{i,t} = \{AGE_{i,t}, INCOME_{i,t}, GENDER_{i,t}\}$ where $AGE_{i,t}$ is the average age of the audience for each radio station in its TSA and $INCOME_{i,t}$ and $GENDER_{i,t}$ are a proxy for income and gender in each station TSA. $INCOME_{i,t}$ is calculated through the ratio of the total listening hours by ABC1⁵ listeners over total listening hours for each radio station in its TSA. $GENDER_{i,t}$ is calculated through the ratio of the total listening hours by female listeners over total listening hours for each radio station in its TSA. Finally, we added Q_t and R_t as time and regional controls.
12. Standard errors are robust to heteroskedasticity and are clustered by region.
13. Descriptive statistics and results are set out below.

⁴ HHI is computed using proportional shares whereas company share and station share are computed using percentage shares.

⁵ ABC1 demographics range from lower to upper middle class consumers.

Descriptive statistics

TABLE 1 Descriptive statistics, Global and GMG, period Q4 2008–Q3 2012

Variable	Observations	Mean	Standard deviation	Minimum values	Maximum values
Non contracted CPT (£)	[X]	[X]	[X]	[X]	[X]
Station listeners share by TSA (%)	[X]	[X]	[X]	[X]	[X]
HHI by TSA	[X]	[X]	[X]	[X]	[X]
Company listeners share by TSA (%)	[X]	[X]	[X]	[X]	[X]
Station age audience (years)	[X]	[X]	[X]	[X]	[X]
Income (proxy)	[X]	[X]	[X]	[X]	[X]
Gender (proxy)	[X]	[X]	[X]	[X]	[X]

TABLE 2 Descriptive statistics, Global, period Q4 2008–Q3 2012

Variable	Observations	Mean	Standard deviation	Minimum values	Maximum values
Non-contracted CPT (£)	[X]	[X]	[X]	[X]	[X]
Station listeners share by TSA (%)	[X]	[X]	[X]	[X]	[X]
HHI by TSA	[X]	[X]	[X]	[X]	[X]
Company listeners share by TSA (%)	[X]	[X]	[X]	[X]	[X]
Station age audience (years)	[X]	[X]	[X]	[X]	[X]
Income (proxy)	[X]	[X]	[X]	[X]	[X]
Gender (proxy)	[X]	[X]	[X]	[X]	[X]

TABLE 3 Descriptive statistics, RSL, period Q4 2008–Q3 2012

Variable	Observations	Mean	Standard deviation	Minimum values	Maximum values
Non-contracted CPT (£)	[X]	[X]	[X]	[X]	[X]
Station listeners share by TSA (%)	[X]	[X]	[X]	[X]	[X]
HHI by TSA	[X]	[X]	[X]	[X]	[X]
Company listeners share by TSA (%)	[X]	[X]	[X]	[X]	[X]
Station age audience (years)	[X]	[X]	[X]	[X]	[X]
Income (proxy)	[X]	[X]	[X]	[X]	[X]
Gender (proxy)	[X]	[X]	[X]	[X]	[X]

Regression results for non-contracted CPT

[X]

Analysis of agency questionnaire responses

Introduction

1. We sent a questionnaire to 14 agencies (see [Annex 1](#) for a copy of the questionnaire). We received responses from 12 agencies,¹ of which ten have one or more contracts with Global and/or RSL for the purchase of airtime, and the other two purchase airtime on behalf of non-contracted advertisers. Some media buying groups buy on behalf of a number of agencies: in most cases, these groups submitted a response on behalf of all the agencies within their group.² In this appendix, where we refer to ‘agencies’, we mean media buyers, including all relevant respondents to our questionnaire.
2. In this appendix, we set out responses relating to advertisers’ alternatives to Global and RSL and to agencies’ price negotiations with radio companies. We deal first with responses on the sale of advertising airtime and then with responses on S&P.

Advertising airtime

3. First, we consider agencies’ responses on the alternatives to Global and RSL stations. We then summarize agencies’ other responses relevant to price negotiations. Finally, we summarize Global’s comments and give our observations on these comments.
4. We note that Global sells both its own airtime and that of RSL to most, but not all, of the respondents to our survey.³

¹ 
² 

³ Global also sells airtime on behalf of Orion.

Alternatives to Global and RSL stations

5. Our questionnaire to agencies included questions on their clients' total spend and spend by their ten largest radio advertiser clients on all media, on radio in total, and on Global and RSL stations. For each of their ten largest radio advertisers, they were then asked to indicate the first, second and third closest media alternatives to airtime on (a) Global stations and (b) RSL stations. Agencies were asked to include in their consideration of the closest alternatives other media (eg cinema, direct mail, Internet, local and national press, magazines, outdoor and television) and all radio companies other than Global/RSL.⁴ We received responses to these questions from nine of the ten contracted agencies that responded to our questionnaire. Eight of these agencies buy across all media and one is a radio specialist.⁵

6. These nine agencies provided information on 92 clients. Agency responses indicated that these advertisers in total spent £140.6 million on radio, of which £[redacted] was on Global stations and £[redacted] on RSL stations,⁶ and that radio accounted for 6 per cent of their total media spend. Of these 92 advertisers, 85 had advertised on Global and 70 had advertised on RSL.

7. To analyse the responses, we looked at both the number of advertisers for which the agencies listed each alternative and the radio spend by these advertisers. We analysed the first alternatives listed separately, since these results could be expected to indicate where spend would actually move to if prices increased. We then analysed the combined first, second and third alternatives listed to gain insights into the broader options being considered.

⁴ Agencies were also asked if necessary to distinguish between different campaigns of each advertiser.

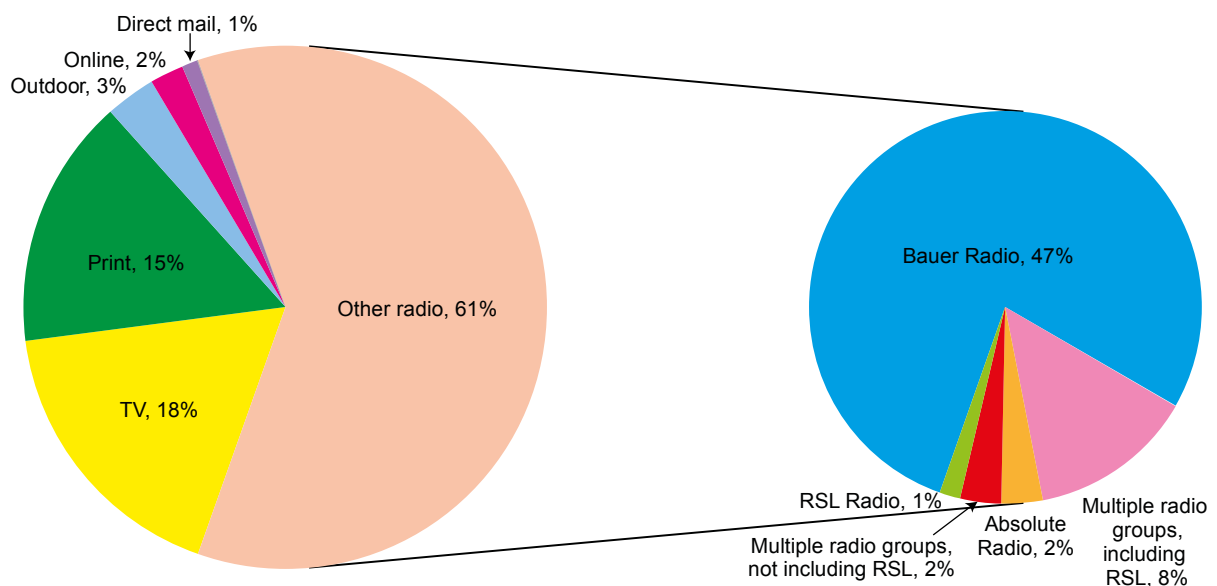
⁵ For all responses [redacted] assumed that the use of syndicated networks was not permitted in the answer to the question, so did not list multiple radio groups as an alternative to any of its campaigns. In addition to this, [redacted] separated its answer into the three closest radio alternatives and three closest non-radio alternatives, with no indication of the relative ranking of the two—these have been counted twice in the unweighted results and had weighting split equally between the two answers in the weighted results; the tables in this appendix reflect these aspects of the respective responses.

⁶ These figures are not comparable with others quoted in this report, for example because they include agency commission.

8. For Global, the main first alternative for advertisers was recorded as other radio (61 per cent of the responses)—see Figure 1. Among the radio groups, Bauer was by far the most prominent, being seen as the first alternative for 47 per cent of all advertisers. Some radio competition was also seen from contracting with multiple radio groups, or Absolute Radio which has national coverage. RSL was given as first alternative for only one advertiser; however, of the ten advertisers which gave multiple radio groups as the first alternative, eight included at least one RSL station. The small number of advertisers for which agencies saw RSL as first alternative may in part be driven by the question relating to the agencies' ten largest radio advertising clients, who are most likely to require comprehensive national coverage. A significant proportion of Global's first alternatives also came from other media (39 per cent), particularly from television (18 per cent of advertisers) and print (15 per cent of advertisers).

FIGURE 1

Global first alternatives, unweighted

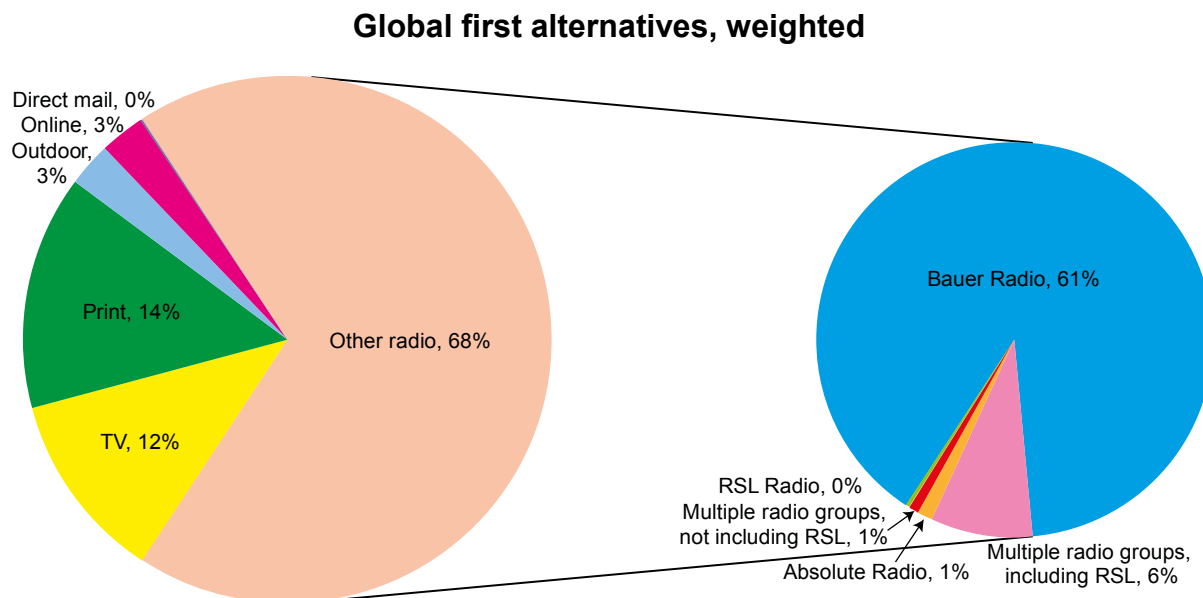


Source: Agencies.

9. Weighting the campaigns by size of radio spend by each of the media agency's customers, other radio becomes slightly more significant as a first alternative—see

Figure 2. Bauer still emerges as the first alternative for 61 per cent of Global radio spend, followed by print at 14 per cent. The importance of using multiple radio groups including RSL decreases slightly to 6 per cent.

FIGURE 2

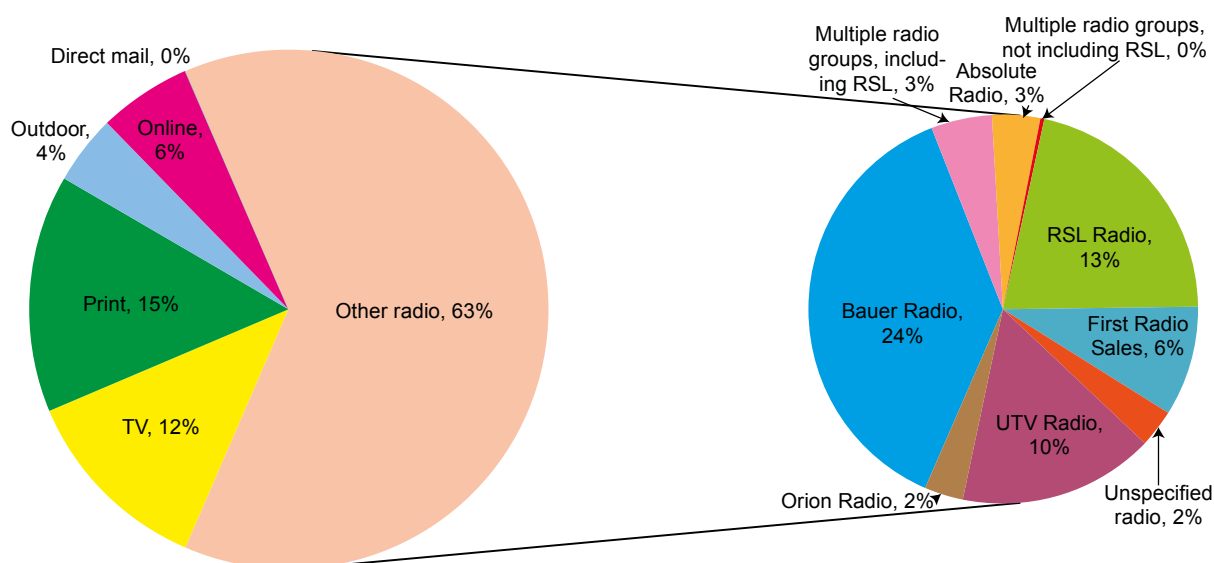


Source: Agencies.

10. When second and third, as well as first, alternatives are included, other radio accounts for a slightly smaller proportion of total alternatives, with a small increase in customers starting to see online, outdoor and print as potential substitutes for radio spend—see Figure 3. In addition, the agencies consider additional radio groups as potential substitutes and RSL now accounts for 13 per cent of all radio groups/other media mentioned as first, second or third alternatives.

FIGURE 3

Global first, second and third alternatives, weighted



Source: Agencies.

Note: Percentages are of total alternatives given and therefore do not show the percentage of advertising spend for which each radio or other media group is an alternative.

11. Table 1 shows these results in table format.

TABLE 1 First second and third alternatives to Global (sorted by first column)

	1st closest		1st/2nd closest		1st/2nd/3rd closest	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Bauer Radio	47	61	26	32	20	24
Television	18	12	16	13	15	12
Print	15	14	19	16	17	15
Multiple radio groups, including RSL	8	6	4	3	4	3
Outdoor	3	3	4	4	5	4
Absolute Radio	2	1	5	3	4	3
Online	2	3	3	3	6	6
Multiple radio groups, not including RSL	2	1	1	0	1	0
RSL Radio	1	0	7	16	9	13
Direct mail	1	0	1	0	0	0
First Radio sales	0	0	9	7	9	6
Unspecified radio	0	0	3	1	4	2
UTV Radio	0	0	2	1	5	10
Orion Radio	0	0	0	0	1	2
Total other radio	61	68	57	63	57	63
Total other media	39	32	43	37	43	37
Total	100	100	100	100	100	100

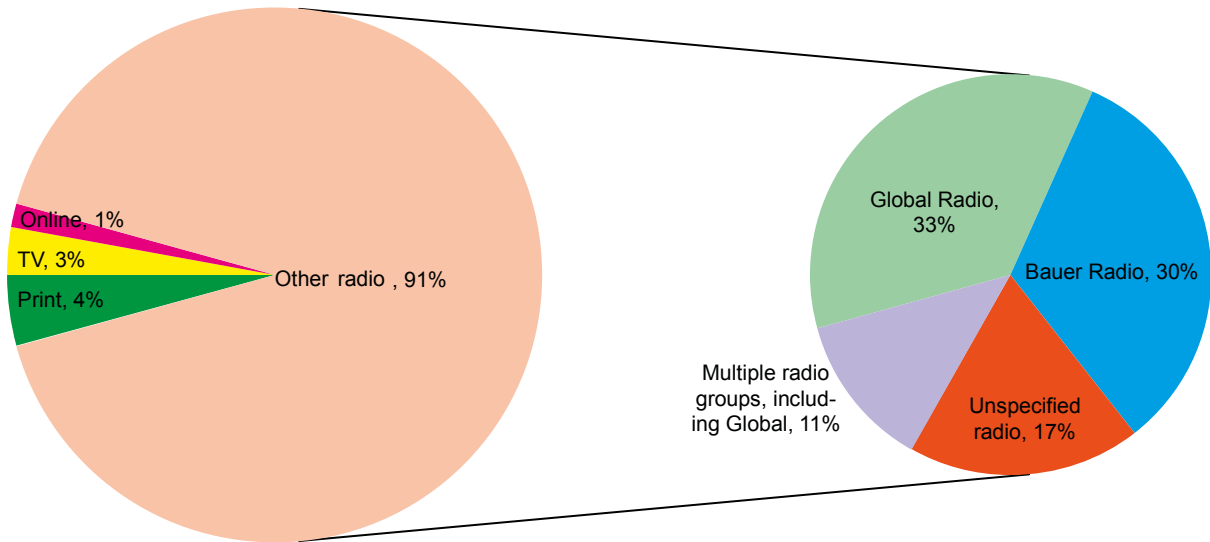
Source: Agencies.

Note: In relation to 1st/2nd and 1st/2nd/3rd the percentages are of total alternatives given and therefore do not show the percentage of advertisers or advertising spend for which each radio or other media group is an alternative.

12. For RSL customers, other radio is seen to represent by far the main first alternative to RSL radio spend, with other media representing only a small proportion (9 per cent)—see Figure 4. Global was the radio group given as a first alternative to RSL for the highest proportion of advertisers (33 per cent), with Bauer Radio a close second (30 per cent).

FIGURE 4

RSL first alternatives, unweighted

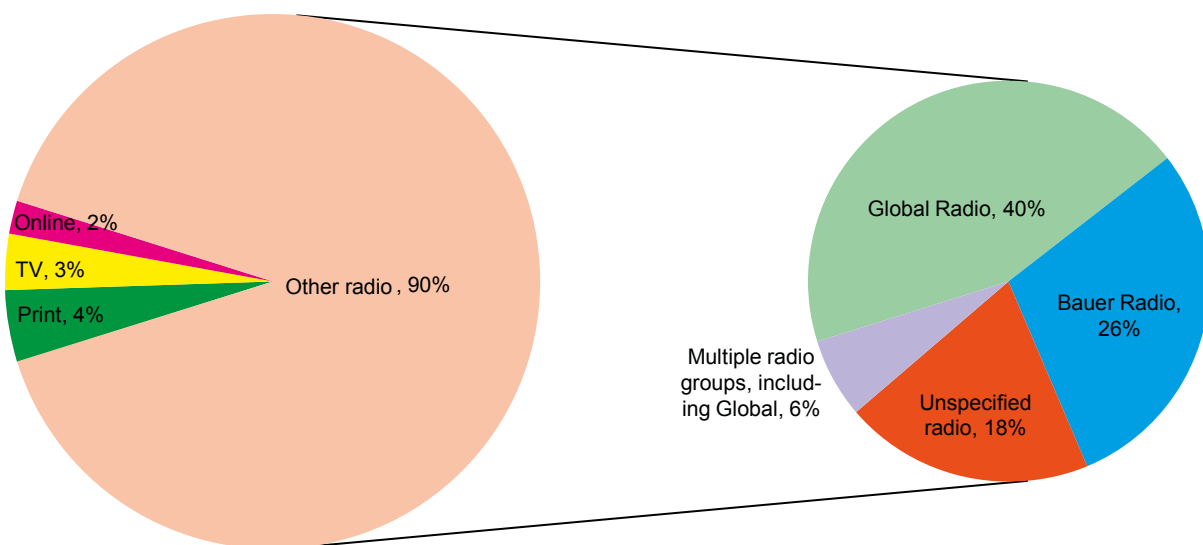


Source: Agencies.

13. Weighting the campaigns by size of radio spend by each of the media agency's customers, Figure 5 shows that other media remains a first alternative to RSL for a small proportion of advertisers. Global becomes a more significant first alternative, with its share increasing to 40 per cent once responses have been weighted, indicating that larger advertisers are more likely to see Global as an alternative to RSL.

FIGURE 5

RSL first alternatives, weighted

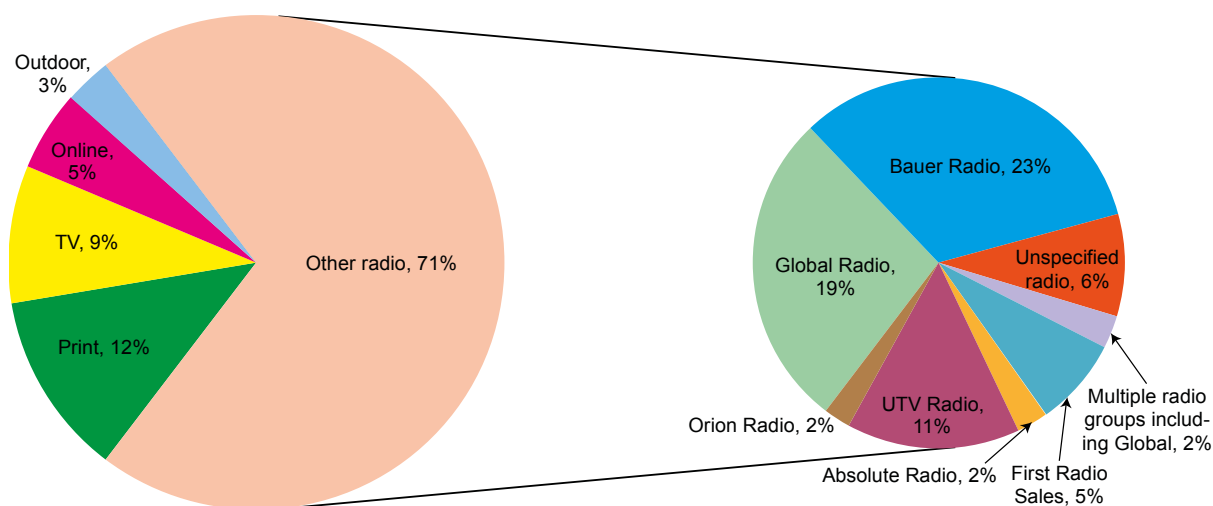


Source: Agencies.

14. Moving to looking at second and third as well as first alternatives, non-radio media accounts for a greater proportion of alternatives; in particular, print (12 per cent), television (9 per cent) and online (5 per cent)—see Figure 6 and Table 2. A number of smaller radio groups also appear more prominently.

FIGURE 6

RSL first, second and third alternatives, weighted



Source: Agencies.

Note: Percentages are of total alternatives given and therefore do not show the percentage of advertising spend for which each radio or other media group is an alternative.

15. Table 2 shows these results in table format.

TABLE 2 First second and third alternatives to RSL (sorted by first column)

	<i>per cent</i>					
	<i>1st closest</i>		<i>1st/2nd closest</i>		<i>1st/2nd/3rd closest</i>	
	<i>Unweighted</i>	<i>Weighted</i>	<i>Unweighted</i>	<i>Weighted</i>	<i>Unweighted</i>	<i>Weighted</i>
Global Radio	33	40	29	28	22	19
Bauer Radio	30	26	27	32	20	23
Unspecified radio	17	18	9	9	6	6
Multiple radio groups, including Global	11	6	6	3	4	2
Print	4	4	11	13	10	12
Television	3	3	6	8	7	9
Online	1	2	2	2	6	5
First Radio Sales	0	0	3	1	10	5
Absolute Radio	0	0	3	2	4	2
Outdoor	0	0	2	2	3	3
UTV Radio	0	0	1	1	6	11
Orion Radio	0	0	0	0	1	2
Total other radio	91	90	78	75	73	71
Total other media	9	10	22	25	27	29
Total	100	100	100	100	100	100

Source: Agencies.

Note: In relation to 1st/2nd and 1st/2nd/3rd the percentages are of total alternatives given and therefore do not show the percentage of advertisers or advertising spend for which each radio or other media group is an alternative.

16. Overall, this analysis suggests that RSL is relatively unimportant as a substitute for Global, being regarded as an alternative on its own in very few cases and an alternative in combination with other radio groups in only a small proportion of cases. Much more common first alternatives for Global are said to be other media (32 to 39 per cent) or Bauer (47 to 61 per cent).

17. In comparison, Global emerges as a more important substitute for RSL, listed as a first alternative for 33 per cent of advertisers representing 40 per cent weighted by spend. Along with Global, Bauer is also seen as an important first alternative to Global (26 to 30 per cent) and in general other radio is seen as the first alternative for RSL in the vast majority of cases (90 to 91 per cent). Other media are seen to be relatively unimportant as a first alternative for RSL stations (9 to 10 per cent) but become more important as second or third alternatives (27 to 29 per cent).

18. We note that these results are in line with what we would expect given that RSL stations operate in fewer areas of the country and account for a substantially lower share of total UK listening hours than Global stations.

Other responses from agencies relevant to price negotiations

19. Our questionnaire included questions about the advantages to advertisers of buying through an agency, rather than directly; about the process for negotiating prices with radio companies; and about how the alternatives to Global and RSL stations affected agencies' negotiations with Global and RSL (see [Annex 1](#)).
20. Agencies all said that their ability to achieve lower prices through being able to leverage their aggregate client base was a benefit to advertisers of using an agency. [Agency A] noted that the ability to combine volume across its client base to conduct negotiations as a group had become of greater importance since radio groups themselves had consolidated and grown in size.
21. [Agency Q] noted that media owners may sometimes feel that they have the upper hand in negotiations since they are aware that only in extreme circumstances would agencies be able to remove all their client business from them. However, this power was mitigated by the share-based nature of agency deals, allowing agencies to drive revenues down overall whilst continuing to service the needs of all their clients. Hence, [Agency Q] noted that media owners needed to get the balance right to avoid losing a number of clients from an agency group due to price concerns from those particular clients, leaving them with a share of a much smaller pot and therefore lower revenues overall.
22. A number of agencies address individual clients' concerns within their overall contract, by allowing for different CPTs and/or contract terms for certain clients. [Agency

Q] said that this allowed agencies to achieve scale from their client base, without tying clients to each other's terms, and retaining the flexibility for individual clients to walk away if the deal was not good enough.

23. The majority of agencies noted that the threat (explicit or implicit) of switching advertising to other radio stations or media was a common occurrence in annual contract negotiations. [Agency L] noted that (particularly in the case of Global) it had used the threat of switching to other media or using another station to try and limit proposed price increases rather than actually to reduce prices during negotiations. [Agency N] said that the opportunity of switching stations could be used to reduce prices, but felt that when this was done it reflected more a fair market assessment than a threat.

24. However, agencies also noted that the credibility of threats was very variable and depended on the availability of suitable alternatives in particular regions. Five agencies (one radio-only agency) noted that Global's strength in particular regions reduced the agencies' bargaining power in these areas, with Global being aware of where it was the only media option available to deliver quick, cost-effective reach on a city-by-city basis:
 - (a) [Agency A] highlighted the East of England, London, the Midlands, Southern and Wales & West as areas where Global Radio Sales held a market share of commercial listening hours of over 50 per cent.
 - (b) [Agency P] noted Heart West Midlands, Capital Birmingham and Free Radio Birmingham as an example of where the alternative radio stations in an area were sold by Global Radio Sales. [Agency P] also noted that it was easier to threaten to switch expenditure for national campaigns.
 - (c) [Agency N] noted that, where Global owned or handled the sales of more than one station in an area, it was less inclined to be competitive. [Agency N] gave the example of London as a competitive area, and Birmingham/Midlands as

uncompetitive. Birmingham/Midlands was seen as uncompetitive since Global owned many stations in this area and also held the sales contract to sell Orion stations in this area. [Agency N] said that this allowed Global to hold prices for all stations it sold in Birmingham, and that it did this at rates that were generally higher than other comparable areas.

(d) [Agency F] said that, for certain clients, Global knew the strength it had where it was the only media option available to deliver cost-effective reach on a city-by-city basis.

(e) [Agency L] said that the threat of using another station when negotiating with a radio sales house was not always possible, since in some instances there would be no alternative stations available that attracted the listening audience that would satisfy its client's objectives.

25. [Agency F] noted that Global also made use of the fact that at certain times of day radio was the 'peak' advertising medium in terms of reach, which reduced agencies' ability to negotiate lower CPTs at these times. [Agency F] added that, for particular day parts and radio stations, this limited the ability of agencies to threaten the use of alternatives.

26. Also agencies noted the existence of certain advertisers and advertising campaigns for which other alternatives would not be suitable, for instance due to not being able to offer the same geographical coverage, the same advertising environment or because the costs of producing an advertisement would be unaffordable (eg television commercials being much more expensive to produce than radio commercials). [Agency Q] said that Global knew the strength of its brands and the campaigns it delivered, and some advertisers could appear 'captive' to radio. Although any threat that it made to move was taken seriously by Global, this threat was accepted not to be a real one for the whole of its portfolio, with the assumption that only a small per-

centage of advertisers would give up radio completely. [Agency Q] said that agencies would not be able to walk away from negotiations with Global completely due to its large total share of the radio market, without the consequence of having to move away from a position of media-neutral planning—advising their clients against using radio in campaigns. Three agencies noted that the large market share held by Global restricted their ability to make credible threats to switch expenditure.

27. [Agency G] noted that, outside annual contract negotiations, it was sometimes able to negotiate lower prices on a one-off basis for larger pieces of business. In these cases, price negotiation was done by explaining its position and the options being considered and using those to attempt to reduce prices further. Similarly, [Agency N] noted that it was sometimes able to negotiate lower prices for particular pieces of business during a contract period: in situations where radio stations were competing for a particular piece of business, and sales representation existed with two separate parties,⁷ [Agency N] might request a more competitive deal. [Agency N] gave the example of Real Radio Yorkshire versus Capital Yorkshire for a client looking to advertise across a large area of Yorkshire. [Agency N] said that, if Capital Yorkshire's price was the higher of the two and higher than other comparable areas, then the client might opt for Real Radio Yorkshire, and that, at this point, it might counter-offer a pricing suggestion to Capital Yorkshire. [Agency N] noted that, in this case, if both stations were owned or sold by the same group, it would have no ability to gain a lower market price.
28. [Agency D] noted that, since it had a share deal with Global, during the course of the contract it did not have the option of threatening to switch expenditure to alternative radio stations in order to negotiate further reductions in prices between contract negotiations.

⁷ [REDACTED]

29. Agencies gave mixed responses on whether they had experienced any significant changes in airtime prices of radio companies (in particular, Global and RSL). Four agencies indicated that they had seen increases in prices, while four other agencies thought that prices had stayed roughly the same and three agencies indicated that they had seen decreases in prices.
30. Of those seeing an increase in prices, [Agency L] said that Global had been particularly bullish in its negotiating approach with regard to share commitments and/or price increases since its merger with GCap. [Agency L] said that Global had come into negotiations with offers considerably higher than any other sales house and on some brands exceeding market expectations. In response to this, [Agency L] had not materially increased client radio spend, instead adapting its planning to downweight certain regions in order to secure an acceptable level of activity in regions considered a priority with its clients.
31. [Agency G] said that it had seen an increase in prices after Global rebranded Heart. At the point of that year's contract renewal, its rates for Heart went up and it had been led to believe that rates had been increased by a minimum of 5 per cent across all agencies.
32. [Agency D] said that it had experienced price rises across the Heart network over previous years and more specifically in the smaller regions which made up the 15 Heart super stations (stations which were formed from two or more previous Global stations). [Agency D] provided the example that Heart Northamptonshire previously cost £[redacted] in 2010 prior to the formation of the super station but in 2012 it would now cost around £[redacted] to buy the same region. [Agency D] also said that Heart Northamptonshire was no longer surveyed by RAJAR. [Agency D] felt that the consolidation of radio stations had led to the price of advertising increasing in smaller

areas. [Agency N] said that it had seen price increases when Global Radio rebranded, renamed and purchased new stations to incorporate into the Heart and Capital brands.

33. Of the four agencies which said that prices had stayed roughly the same, [Agency A] said that the price fluctuations it had experienced over time were just as were to be expected during the normal ebb and flow of the negotiation process. [Agency P] said that the cost of radio airtime had remained fairly consistent across the market as a whole, or even slightly lowered over the last few years. [Agency P] thought this could be attributed to the agency increasing its investment in radio, thereby aiding its buying power; to changes in audience delivery and a better working relationship with radio groups.
34. Of those that indicated that prices had decreased, [Agency F] said that it had seen a step reduction in radio rates over the past year, with rates decreasing due to negotiation, smarter planning and its agency working more closely together as a radio team. [Agency F] said that these reductions in rates might in part be due to being relatively small and perhaps being seen as 'new' money.
35. [Agency N] thought that RSL had reacted in the last few years to competitive market conditions by reducing its prices in competitive areas to be able to compete on superior price efficiency with the more expensive Global and Bauer stations. This had allowed [Agency N] sometimes to use a combination of one or two stations (including one RSL station) to offer a similar weight and power alternative to the more expensive Global station.

Global's comments on agencies' responses to our questionnaire

36. Global said that the structure of decision-making within contracted agencies should be taken into consideration when analysing agency responses. It said that decisions were made at three 'tiers':
- (a) *'Tier 1': Trading Director.* Global said that the Trading Director was only involved during contract negotiations over prices and share or volume, which took place in advance of campaign planning. It noted that, with a few exceptions, prices were negotiated on behalf of all advertising clients, rather than each client individually.
 - (b) *'Tier 2': Media Planner.* Global said that the Media Planner planned how to apportion campaign budgets between media.
 - (c) *'Tier 3': Radio Planner/Buyer.* Global said that the Media Planner planned how to apportion the radio portion of a campaign budget within radio.
37. Global said that Tier 1 was the relevant tier to consider when analysing the outside options available to contracted customers if Global tried to increase prices, and that decisions at the other tiers were not relevant to this issue.
38. In Global's view, the answers from agencies as to their outside options were likely to reflect decisions made at Tier 3, rather than Tier 1. It said that, as a consequence, these answers would be largely unable to address the question of whether an agency would be willing and able to switch to other media alternatives in response to an attempt by Global to increase prices during contract negotiations.
39. Global added that other evidence from agencies suggested that contracted customers would be willing to switch their advertising spend to non-radio media in response to an attempt by Global to increase Global and/or RSL prices.
40. Global also made the following points in relation to the questionnaire responses:

- (a) One of the agencies that responded was a radio-only contracted agency, hence the responses provided would necessarily be radio-only. Global said that this agency should therefore be removed from the sample.
- (b) The questionnaire was likely to provide biased results because of the radio-focused phrasing of the questioning.
- (c) Responses related to each agency's ten largest radio advertisers and were unlikely to be representative of an agency's advertiser customer base.
- (d) The approach of weighting responses by size of radio spend was likely to bias responses towards radio alternatives.

Response to Global's comments

41. We included questions in our questionnaire on agencies' alternatives to Global and RSL stations because we considered that they were relevant to assessing the impact of the merger on the alternatives available to agencies. We consider that this may be relevant to assessing whether, and if so how far, the merger may be expected to reduce the bargaining power of agencies relative to Global and/or RSL. However, in doing so, we note that it is necessary to take into account other relevant factors affecting contracted prices, including:
- (a) the extent to which Global and RSL stations are (or are not) currently relevant alternatives for agencies at the time that price negotiations take place, in particular because under the Agreement, Global currently makes airtime sales on RSL's behalf to certain agencies [X]; and
 - (b) the extent of harm to the radio company that an agency is able credibly to threaten at the time of negotiations (either in relation to prices for all its clients or in relation to prices for a specific client).
42. We note Global's comments regarding the structure of decision-making in contracted agencies. We do not consider that this is relevant, beyond the points made in the

previous paragraph, to agencies' responses on the alternatives to Global and RSL. The structure of decision-making within contracted agencies seems to follow naturally from the fact that contract prices are negotiated in advance of decisions being made about the specific media and radio stations to be used in a particular campaign. We note that the questionnaire was addressed to the media-buying companies, and not to particular individuals within those companies. We also note that agencies' responses to other questions (see paragraphs 19 to 35) are relevant to assessing point (b) in the previous paragraph.⁸

43. In relation to Global's further points (see paragraphs 36 to 40), we make the following observations:

(a) Responses from radio-only agencies reflect the alternatives available to those agencies at the time they negotiate prices. We therefore do not consider that responses from radio-only agencies should be disregarded.

(b) It is not clear that the phrasing of the questions would be likely to induce bias towards radio rather than other alternatives.

However, in the light of Global's points, we also recalculated the figures in Tables 1 and 2 to exclude radio-only agencies and any other agencies that only gave radio alternatives or only non-radio responses in their responses to the questions.⁹ This had some effect on the results—see Tables 3 and 4—but we do not think it indicates a material change in the agency level of bargaining power.

⁸ In relation to other evidence from agencies, for example received during hearings, we have taken this into account in the main text of this report. This appendix covers responses from agencies to our questionnaire.

⁹ To remove any agencies for which there was a possibility that the question may have been misinterpreted in terms of the correct scope of alternatives to be considered.

TABLE 3 First second and third alternatives to Global (sorted by first column), excluding selected agencies

	<i>per cent</i>					
	<i>1st closest</i>		<i>1st/2nd closest</i>		<i>1st/2nd/3rd closest</i>	
	<i>Unweighted</i>	<i>Weighted</i>	<i>Unweighted</i>	<i>Weighted</i>	<i>Unweighted</i>	<i>Weighted</i>
Bauer Radio	45	39	24	21	19	17
TV	20	18	18	22	16	20
Print	18	24	22	28	21	25
Multiple radio groups, including RSL	5	8	3	4	2	3
Absolute Radio	3	1	7	5	6	4
Online	3	5	5	6	9	10
Outdoor	3	4	5	6	7	8
Direct mail	2	0	1	0	1	0
First Radio Sales	0	0	6	3	9	4
Unspecified radio	0	0	4	2	6	4
RSL Radio	0	0	3	2	2	2
UTV Radio	0	0	2	1	2	2
Total other radio	53	48	48	39	47	37
Total other media	47	52	52	61	53	63
Total	100	100	100	100	100	100

Source: Agencies.

Note: In relation to 1st/2nd and 1st/2nd/3rd the percentages are of total alternatives given and therefore do not show the percentage of advertisers or advertising spend for which each radio or other media group is an alternative.

TABLE 4 First second and third alternatives to RSL (sorted by first column), excluding selected agencies

	<i>per cent</i>					
	<i>1st closest</i>		<i>1st/2nd closest</i>		<i>1st/2nd/3rd closest</i>	
	<i>Unweighted</i>	<i>Weighted</i>	<i>Unweighted</i>	<i>Weighted</i>	<i>Unweighted</i>	<i>Weighted</i>
Bauer Radio	33	31	22	19	17	16
Global Radio	27	13	25	12	19	9
Unspecified radio	24	32	12	16	9	11
Print	6	8	15	23	13	21
TV	4	6	8	14	10	16
Multiple radio groups, including Global	4	8	2	4	1	3
Online	2	3	3	3	9	9
First Radio Sales	0	0	4	1	10	4
Absolute Radio	0	0	4	3	5	3
Outdoor	0	0	3	4	4	5
UTV Radio	0	0	1	1	2	2
Total other radio	88	83	70	56	64	48
Total other media	12	17	30	44	36	52
Total	100	100	100	100	100	100

Source: Agencies.

Note: In relation to 1st/2nd and 1st/2nd/3rd the percentages are of total alternatives given and therefore do not show the percentage of advertisers or advertising spend for which each radio or other media group is an alternative.

(c) We asked for responses covering the ten largest radio advertisers because we considered that these were the advertisers most important to price negotiations. In practice, these advertisers spent a similar proportion on radio to other advertisers. The weighted average spend on radio advertising for the largest ten radio advertisers as a proportion of total media spend was 5.7 per cent, while the comparable figure for other advertisers was 5.5 per cent. Therefore, we do not consider that responses were unrepresentative.

(d) We have quoted both unweighted and radio-spend-weighted percentages in the charts and tables above. We consider that spend-weighted percentages are likely to be more relevant to agencies' negotiating power.

Sponsorship and promotion

44. In the next paragraphs, we set out agency responses on S&P.
45. Unlike with airtime, RSL supplies S&P separately to contracted customers of London-based as well as regional agencies. In order to assess whether Global and RSL compete directly to meet S&P briefs, and the significance of any such competition, we asked agencies:
- (a) which media companies they considered to be the best alternatives to (i) Global and (ii) RSL in meeting S&P briefs;¹⁰ and
 - (b) details of recent S&P briefs¹¹ involving Global or RSL, including information on the advertiser and product, the media company selected as best meeting the brief and its media (radio, television etc), and the other media companies that were considered.
46. In response to the first question, most agencies said that this depended on the type of brief and the objectives of the campaign. Most also said that competition could include both other radio companies and non-radio media, though they differed as to the importance they attached to non-radio media. Specific alternatives mentioned by more than one agency were Bauer and Absolute among radio companies and the Telegraph among other media companies.

¹⁰ Agencies were explicitly asked, in considering alternatives, to include both other radio companies and non-radio media companies.

¹¹ Agencies were asked if possible to provide this for S&P briefs over the last 12 months.

47. A summary of agencies' responses to the second question is shown in Table 5. The table suggests that the most important competitors to Global and RSL for S&P are Bauer and Absolute, but that competition also comes from two other radio sellers (talkSPORT and First Radio) and from television, the Internet and newspaper companies.
48. Taken together, a non-radio company was selected as the winner in only 7 per cent¹² of the briefs and one or more was considered as an option in only 19 per cent of these briefs. Both Bauer and Absolute were successful, or were considered in more briefs than all non-radio companies. It should be noted that Table 5 covers only briefs involving Global and/or RSL: it therefore provides an indication of the competition faced by Global and RSL but is not informative about S&P briefs in which neither Global nor RSL were invited to participate.

TABLE 5 **Briefs involving Global or RSL: percentage of briefs which radio companies and other media won or were considered in**

<i>Merit of bid:</i>	<i>Winner</i>	<i>Winner/ Second</i>	<i>Winner/ Second/Third</i>	<i>per cent Considered</i>
<i>Global & RSL</i>				
Global	44	80	94	96
RSL	14	18	28	34
<i>Other companies considered</i>				
Bauer (radio)*	18	44	53	55
Absolute	15	25	31	34
talkSPORT	1	6	7	9
First Radio	0	2	3	6
Television*	4	4	7	7
Online	1	3	6	9
Press	1	3	3	3

Source: CC analysis of questionnaire responses.

*One bid was won by Bauer TV. This is included under television.

Notes:

1. The columns in this table show respectively the percentage of briefs for which radio companies/other media were quoted as 1st, 1st or 2nd, 1st or 2nd or 3rd alternative and in which they were considered at all. The basis is therefore different from Tables 1 to 4 where percentages are of unweighted and weighted total alternatives given in relation to all advertisers.
2. After excluding briefs which were not in the event awarded to any bidder, there were 72 briefs. The average number of bids per brief was 2.4.
3. In two cases the brief was awarded to Global and a newspaper: each of these has been counted as half of a full bidder.
4. In one case, the brief was awarded to Bauer, Global, RSL & First Radio: each of these has been counted as a quarter of a full bidder.

¹² This is greater than the sum of the components in Table 5 due to rounding.

49. Additional analysis of responses from agencies (not included in Table 5) shows that Global and RSL put forward the best two bids in 9 per cent of cases (ie in 9 per cent of the briefs that either company bid for and on which agencies provided information). We note that, in these cases, the removal of competition between Global and RSL would mean the removal of the next best alternative to the winning bid (ie the outside option).
50. Our additional analysis of responses from agencies also shows that both Global and RSL were bidders in 29 per cent of the S&P briefs on which agencies provided information.
51. Global and Bauer also provided information on which companies they believed were their competitors in S&P. We note that the information Global and Bauer hold is likely to be less useful because they are less well placed to know other bidders than the agency that organized the brief. We also note that Global and Bauer do not have information on the ranking of the different bids. Furthermore, while the data from Global and Bauer appears to cover a larger number of briefs for a given time period than the data from the agencies,¹³ we note Global's data does not necessarily cover all briefs on which RSL pitched, and Bauer's data does not necessarily cover all briefs on which either Global or RSL pitched.
52. Global said [REDACTED].¹⁴
53. Bauer's figures suggested that in [REDACTED] per cent of the most significant S&P briefs in which it participated, it competed against non-radio as well as radio companies.¹⁵

¹³ There are a number of possible reasons for this: some agencies appear to have provided us with a sample of briefs rather than all briefs over the previous 12 months; the Global and Bauer data included briefs that did not proceed and in the case of Bauer where the result was not yet known; and a group of briefs might be treated as one or a number of different briefs.

¹⁴ Global analysed S&P pitches it made for business valued at £[REDACTED] or more between January 2011 and April 2012.

54. Noting the difference between agency responses to our questionnaire and its own data, Global said that the term 'S&P' was only used for sponsorship and promotion campaigns in the radio sector and not in other sectors such as television, press, magazines and Internet. Global said that the use of the term 'S&P' in our questionnaire may have led agencies to consider predominantly sponsorship and promotion briefs aimed at radio, rather than those aimed at a variety of media. We note that agencies did include some briefs for which other media were considered (Table 5).

¹⁵ Bauer's analysis was based on significant S&P pitches it made in [X].

Questionnaire sent to agencies

The Office of Fair Trading (OFT) has referred to the Competition Commission (CC), for investigation and report, the completed acquisition by Global Radio Holdings Limited (Global Radio) of GMG Radio Holding Limited (now known as Real and Smooth Ltd 'RSL'). A copy of the terms of reference and accompanying press releases can be found on the CC's website, www.competition-commission.org.uk.

The CC has been asked to decide whether the completed acquisition by Global Radio of RSL has resulted or may be expected to result in a substantial lessening of competition within any market or markets in the UK. We have already written to you asking you to provide your views on the competitors to Global and RSL, how easy or difficult would it be to enter in competition to Global and RSL, and the effect of the acquisition on current and future customers, suppliers or competitors.

In order to carry out our assessment of this merger, we have some further questions for you. Please provide a full answer to each of the questions set out below **by no later than 21 November**. If any information or data is readily available please provide this earlier if possible. Where appropriate, please cross-refer to information provided elsewhere, including any provided to the OFT or in response to our first letter to you referred to above. All tables and datasets should be sent in Excel or a common format such as csv and we attach an Excel file for your response to questions 5 to 9.

We are very sensitive to the need to protect commercially sensitive information. We will treat responses to these questions as commercially sensitive (except where they are already public) and intend to aggregate responses so that individual responses are not disclosed. Please see **Annex A** for a note explaining the CC's powers to gather information and the process for disclosure.

The purpose of this questionnaire is to obtain an individual response from each buyer of radio advertising. Therefore, you should not discuss your response with other companies.

1. Name of responding company/group¹; telephone number and email address of person to contact with queries:
2. What do you see as the main advantages and disadvantages of radio advertising compared to other media:
 - a) Cinema;
 - b) Direct mail;
 - c) Internet (including search engines and social media);
 - d) Local newspapers;
 - e) Magazines
 - f) National newspapers;
 - g) Posters and outdoor;
 - h) TV; and
 - i) Other [please specify]

Have the relative merits of these media changed in the last 3 years, and do you anticipate any changes in the next 3 years?

¹ In the case of media groups/networks, please make clear which agencies within the group/network are covered by the response.

3. Please provide a brief summary of the main terms in your advertising contracts with radio stations (or their sales agents), distinguishing as appropriate between airtime contracts and sponsorship and promotion (S&P) contracts and national and regional/local contracts.
4. Do you typically have a single contract with each radio company covering all your clients (which does not distinguish between clients)? Alternatively, are there separate contracts for some, or all, clients or do your contracts distinguish between them eg in terms of pricing? Where media buying agencies are grouped into networks, is there a single contract covering all agencies or one contract per agency? Are there separate contracts for airtime and S&P?
5. Please describe a typical negotiation with radio stations (or their sales agent) in relation to radio advertising, distinguishing as appropriate between airtime and S&P, and between national and regional negotiations. If possible, please include in your answer: who typically makes the first offer; whether there would be a round of counter offers; what factors you take into account during the negotiation; at what point(s) negotiation takes place and what is negotiated over at each point (eg cost per thousand impacts, share of radio advertising); and how you decide on the value of your offer or counter-offer.
6. Please explain the advantages/disadvantages to an advertiser of buying radio advertising through a media buying agency rather than directly from the radio company. How, if at all, do you use the fact that you buy on behalf of many advertisers to obtain a better deal for them.
7. Please list your 10 largest radio advertisers, and their advertising spend for a recent 12 month period on all media, on radio in total, on Global stations and on RSL stations (Real, Smooth and Real XS) together with a statement of the main other media used by that advertiser. Please also provide the amount spent by other advertisers (grouped together) and the total amount spent for all advertisers.²

[Excel file provided for responses]

Please note that questions 8 to 12 below relate to airtime and questions 13 to 15 relate to S&P.

8. For all of your 10 largest advertisers shown in the answer to question 7 that advertise on Global stations, please identify the three closest alternatives to airtime on Global stations. Please include in your consideration of the closest alternatives other media (eg those shown in question 2) and all radio companies other than Global. If necessary, please distinguish between different campaigns of each advertiser by adding additional rows.

[Excel file provided for responses]

9. For all of your 10 largest advertisers shown in the answer to question 7 that advertise on RSL stations, please identify the three closest alternatives to airtime on RSL stations. Please include in your consideration of the closest alternatives other media (eg those shown in question 2) and all radio companies other than RSL. If necessary, please distinguish between different campaigns of each advertiser by adding additional rows.

² We understand that Global is responsible for national sales of RSL stations (as well as some other stations eg Orion) but in this and subsequent questions we would like you to separately identify advertising on Global stations and advertising on RSL stations (also excluding in relation to Global, advertising sold on behalf of third party stations other than RSL).

[Excel file provided for responses]

10. In respect to your answer to questions 8 and 9, please explain how these alternatives affect your negotiations with Global and RSL on behalf of your clients. Do you use the threat of switching expenditure to these alternatives in order to reduce the price of advertising with Global and RSL?
11. If not included in your answers to questions 7 to 9, please identify any advertisers for whom radio is the primary (or a very significant) media, and for these advertisers set out the three closest alternatives to radio airtime.
12. Do you have experience of significant changes in the airtime prices of radio companies (in particular Global and RSL)? If so, how did this come about (eg through the negotiating process or through the radio company making a step change in its opening offer compared to previous levels)? How did it affect your clients' radio airtime spend with the company making the price changes and with other radio companies? Please cover both any significant increases and any significant reductions in airtime prices and please provide any internal documents relevant to the event(s).
13. If not provided in answer to previous questions, please describe the process for awarding S&P contracts including how you decide on the company to contract with; how the payment is set (eg based on cost per thousand impacts or flat fee) and how the level of payment is negotiated.
14. Which media companies do you consider to be the best alternatives to (i) Global and (ii) RSL in meeting S&P briefs. In considering alternatives, please include both other radio companies and non-radio media companies.
15. For recent S&P briefs involving Global or RSL, please provide the following information:
 - a. Your advertiser client and the product for which the brief is issued;
 - b. The media company selected as best meeting the brief and its media (radio, TV etc);
 - c. The other media companies that were considered.

If possible please provide this for S&P briefs over the last 12 months.

[Excel file provided for responses]

Rate cards and pricing

Introduction

1. This appendix compares Global's rate cards with its average achieved prices (measured per thousand impacts, ie in CPT). It is concerned with the pricing of airtime to non-contracted and contracted customers.

Summary

2. In summary:
 - (a) Global has different rate cards for local customers and regional/national customers. In some cases prices are the same, but there is little correlation for the [X] stations—see Figure 1 (paragraph 9).
 - (b) Rate-card prices vary [X] across stations,¹ eg the fixed rate card (FRC) 2011 price relevant to local customers for Heart Devon is £[X] and for Heart South Coast/Solent is £[X]—see Annex 1.
 - (c) Average achieved prices for contracted customers are [X] for non-contracted. This reflects that regional/national rate-card prices [X] than local rate-card prices; that all contracted customers are regional/national but the bulk of non-contracted customer are local; and that contracted customers on average [X]—see Table 1 (paragraph 19).
 - (d) The weighted average discount for non-contracted customers nevertheless appears [X] (around [X] per cent on the FRC) [X].
 - (e) There is a reasonably high correlation between rate-card prices and average achieved prices—see Figures 2 and 3 (paragraph 20). Thus the effect of [X] rate-card prices in certain areas is not completely offset by [X].

¹ As noted in paragraphs 5(b) and 8, the stations considered in the analysis are mainly the stations for which Global continues to obtain RAJAR measurement (ie TSA-level stations).

- (f) There is a low correlation across stations between contracted and non-contracted—see Figure 4 (paragraph 21). This is not surprising given points (a) and (e).

Rate cards

3. We note the following points about Global's rate-card prices:
- (a) Most but not all stations have FRC prices expressed as £/spot. Global said that the FRC was a confidential internal guide for negotiating prices on a campaign by campaign basis, and was not provided to customers. The parties converted these £/spot prices to CPT for 2011/12.
 - (b) Stations also have a 'direct team CPT' rate card. The parties told us that this was another version of the FRC for customers buying on a CPT rather than £/spot basis. Global said that [REDACTED].
 - (c) There is also a 'regional hub and national CPT' rate card: this is relevant to purchases via regional and national agencies. Global said that there were up to [REDACTED] London-based non-contracted agencies and approximately [REDACTED] smaller regional non-contracted agencies to which these rate cards were relevant.
4. Rate cards refer to the price for a 30-second commercial and are based on natural delivery (ie an even spread of airtime over the day, week and year). There are standard adjustments for particular times of day, week and year.
5. We understand that advertising may be bought from Global at four different levels:
- (a) Across a network of all stations with a particular brand, eg Heart or Capital.
 - (b) At what may be described as the 'co-location' level, eg Heart London or Heart East Anglia. A 'co-location' may be a single licence (eg Heart London) or two or more licences (eg Heart East Anglia consists of Heart Norfolk and Heart Suffolk). 'Co-locations' effectively represent Global's current definition of a station and its

TSA.² Global's ability to co-locate licences arises as a result of recent deregulation. In the rest of this appendix, to try to avoid confusion, we refer to TSAs rather than 'co-location' or 'regional hub'.

- (c) At the 'station' level, effectively the licence level.³ This is sometimes the same as the TSA (eg Heart London) but often is not (eg Heart Norfolk, Suffolk, Essex, Colchester and Harlow are sub-TSA stations).
- (d) For some, but not all, stations Global also sells airtime to non-contracted customers at a 'transmitter' level. This is a more local level than the 'station' in (c), eg Heart Suffolk has two transmitters for which airtime may be sold separately (Ipswich and Bury) and so does Heart Essex (Chelmsford and Southend).

6. As regards rate-card prices:

- (a) We understand that the price for 'network buys' across a brand such as Heart or Capital is calculated as [redacted].⁴
- (b) 2011 rate-card prices for TSAs are [redacted] with rate-card prices for stations. [redacted]
- (c) As already noted, 2011 rate-card prices for stations are [redacted] with rate-card prices for TSAs (but as regards 2012, see next paragraph).
- (d) For some (but not all) stations with separate transmitters, airtime on separate transmitters is sold [redacted].

7. [redacted]

8. The first three columns of [Annex 1](#) show FRC £/spot rates (converted to CPT), direct team CPTs and regional/national CPTs for 2011 for Global's FM TSAs (except XFM Manchester).⁵ Annex 1 also includes three stations that are no longer TSAs (Heart

² Total Survey Area.

³ The definition used by Global

⁴ Since constituent rate-card CPTs differ, network CPTs will vary slightly over time if changes in impacts over time differ between stations.

⁵ The small AM stations and XFM Manchester were excluded to avoid the list being too long. Classic FM and Global's digital stations are also excluded from Annex 1.

Anglesey & Gwynedd (which is part of the Heart NW & Wales TSA), Heart Gloucestershire and Heart Wiltshire (both of which are part of the Heart West Country TSA)).⁶

9. The following points may be noted about the 2011 rate-card prices in [Annex 1](#):

(a) [REDACTED]

(b) [REDACTED], as illustrated in Figure 1. [REDACTED]

FIGURE 1

Regional/national rate-card versus FRC

[REDACTED]

Source: CC calculations based on data provided by Global.

Actual average prices

10. For any individual customer, the average CPT paid can be seen as depending on four factors:

(a) the relevant rate-card price;

(b) the time of day, week and year that advertisements are laid down (for which there is a fairly standard set of indices);

(c) the length of the advertisements (rate cards relate to a 30-second advertisement and there is another set of indices to adjust for longer or shorter advertisements);
and

(d) the discount the customer obtains on the rate-card price.

Non-contracted prices and discounts

11. In relation to local customers, Global said that discounts from the FRC could be justified by sales teams on the basis of a number of 'levers': [REDACTED].

⁶ These three stations were included because the original list was taken from a database prepared by Global's advisers which included these three separately.

12. Global also said that [REDACTED].
13. Global also said that there were a few exceptions to the pricing system set out above:
 - (a) special initiatives such as [REDACTED];
 - (b) a few customers entered into [REDACTED]; and
 - (c) in a small number of cases, [REDACTED].
14. We understand that Global's negotiations with non-contracted regional and national agencies are based on the regional and national rate cards.

Contracted prices and discounts

15. One or more sets of bespoke prices for each TSA and station are agreed and set out in each agency's contract (except for [REDACTED] whose contract sets out [REDACTED]). An example of a set of bespoke prices is at [Annex 2](#).
16. Contracts may also include various further discounts: [REDACTED].

Data on actual average CPTs

17. [Annex 1](#) shows data on actual average CPTs for 2011/12 for non-contracted and contracted customers. This has been obtained from a database of transactions compiled by the parties showing both revenue and impacts. Airtime revenue is adjusted for advertisement length but not for time of day, week and year. For information, Annex 1 also shows non-contracted airtime revenue as a percentage of total revenue and total revenue in £ million.⁷
18. There are potentially two issues with interpreting this data:

⁷ These figures reflect adjusted revenue as used in the CPT calculation and therefore only provide an approximate indication of actual revenue.

(a) It has not been adjusted for time of day, week and year.

(b) Adjusted revenue and impacts are not available for all transactions—the data is available for almost all contracted transactions but we estimate that excluded transactions account for about 5 per cent of non-contracted airtime revenue.

Since we are using data for a whole year and the excluded transactions appear to affect all stations broadly similarly, these points should not be much of a problem in comparing average CPTs with each other. There may be more of an issue in comparing average CPTs with rate-card prices, for instance fill rates are likely to be higher at peak times, increasing the average CPT relative to the rate card.

19. As illustrated in Table 1, average CPTs are [X] for non-contracted than contracted customers, reflecting [X]. We have calculated average discounts on rate-card prices. The weighted average discount to FRC for non-contracted customers [X]. Some non-contracted customers are regional or national (for whom the [X] regional/national rate card is relevant) but Global suggested that [X]—and if we assume that [X] per cent of non-contracted revenue is regional/national, the weighted average discount for non-contracted [X]. Furthermore, the effect of higher fill rates at peak is likely to be to [X]—see previous paragraph.

TABLE 1 **Weighted average CPTs and discounts on rate card**

[X]

Source: CC calculations for stations shown in Annex 1.

20. Figures 2 (non-contracted) and 3 (contracted) show the relationship between the rate-card price and average actual prices. Generally, [X].

FIGURE 2

Non-contracted average CPT versus FRC rate card

[X]

Source: CC calculations based on data provided by Global.

FIGURE 3

Contracted average CPT versus regional/national rate card



Source: CC calculations based on data provided by Global.


21. Figure 4 shows the relationship between non-contracted and contracted average CPT. 

FIGURE 4

Contracted average CPT versus non-contracted average CPT



Source: CC calculations based on data provided by Global.

Comparison of prices



Example of contracted prices



Analysis of overlap areas

Introduction

1. This appendix presents evidence on each of the local areas where Global and RSL stations overlap. The information shown is used to assess the nature and extent of competition between the parties' stations as well as competitor stations. We use this information to assess the loss of competition arising from the merger in each local area.

2. The appendix is structured as follows:
 - (a) Approach to local area assessments.
 - (b) Local area assessments:
 - (i) London;
 - (ii) East Midlands;
 - (iii) West Midlands;
 - (iv) Cardiff and South Wales;
 - (v) North Wales;
 - (vi) Yorkshire, Humberside and Lincolnshire;
 - (vii) Greater Manchester and the North-West;
 - (viii) North-East; and
 - (ix) Glasgow and Central Scotland.

[Annex 1](#): Definitions.

[Annex 2](#): Headline results from the parties' surveys and Global NMR analysis.

Approach to local area assessments

3. In each area where the parties' stations overlap, we use a framework that takes into account:

- (a) the geographic overlap of stations based on their TSAs, taking into account, where available, the proportion of advertising split between individual transmitters within a TSA. Where the geographic coverage of overlapping radio stations is different, we consider these stations to be weaker substitutes depending on the degree of differentiation. Where stations overlap but one station covers a much wider area, the closeness of competition between the two stations is likely to depend on advertisers' ability to target the overlapping area by buying advertising on a single transmitter from the larger station¹; and
- (b) the relative strength of competing radio stations as measured by share of listeners and share of advertising revenue: stations with a low market share of listeners measured by share of total listening hours, and a low share of non-contracted advertising revenue, would provide a significantly weaker outside option than those that reach a large share of listeners and can demonstrably attract advertisers. We also consider the change in market concentration as a result of the merger;
- (c) the demographics reached by radio stations: although this will vary from campaign to campaign, the demographics reached by radio stations is a factor that advertisers often take into account in their planning and purchasing decisions. In general, the greater the divergence between stations' target audience, the weaker they are as substitutes for each other for advertisers. We consider the average age of listeners and the proportion of listeners who are female.

4. Views and evidence submitted by the parties and third parties are also summarized including, where relevant, evidence from a review of the parties' internal documents.

¹ In general, a station is initially included in the competitor set within a local area if at least one-third of its transmission area (by population) overlaps with the merging parties' own transmission areas.

London

5. Global has seven stations broadcasting to London: Heart, Capital, Xfm, Choice, LBC 97.3, LBC News (AM) and Gold (AM).² RSL has one station: Smooth. The main competitors include: Bauer with Magic and Kiss, TIML Radio with Absolute, Sunrise Radio AM and Premier Christian Radio AM. All of these stations transmit over the Greater London area.

6. Global has a 54 per cent share of local/regional commercial radio listening hours in the Greater London area (see Table 1). RSL has a 3 per cent share, so the increment from the merger will be small. Post-merger the parties have a combined share of revenue from non-contracted sales of [40–49] per cent and combined share of total revenue³ of [50–59] per cent.

² Classic FM is not included in the analysis because it does not allow advertisers to target the London area without incorporating a significantly wider region. For the same reason Classic FM and UTV's talkSPORT are not included in any local area analysis.

³ Defined in all tables as the sum of revenue from non-contracted sales, contracted sales and sponsorship and promotion.

TABLE 1 Shares of listening, reach and of non-contracted and total revenue in London (local/regional commercial radio)

Station	Total listening hours		Total reach '000s	Revenue from non-contracted sales		Total revenue	
	'000s	%		£m	%	£m	%
<i>Global</i>							
Heart London	9,703	13	1,858	[X]		[X]	
LBC 97.3	9,720	13	900	[X]		[X]	
LBC News 1152 AM	2,243	3	409	[X]		[X]	
Capital London	11,156	15	2,143	[X]		[X]	
Choice FM London	2,724	4	532	[X]		[X]	
Xfm London	1,867	3	404	[X]		[X]	
Gold AM London	<u>2,673</u>	4	<u>323</u>	[X]		[X]	
Total	40,086	54	4,516	[X]	[30–39]	[X]	[50–59]
<i>RSL</i>							
Smooth Radio London	<u>2,579</u>	3	487	[X]	[5–9]	[X]	[0–4]
Total	2,579	3	487	[X]	[5–9]	[X]	[0–4]
Merger parties	42,665	57	4,678	[X]	[40–49]	[X]	[50–59]
<i>Bauer</i>							
Magic 105.9	12,680	17	2,068	[X]		[X]	
Kiss 100 FM	<u>11,016</u>	15	<u>1,896</u>	[X]		[X]	
Bauer total	23,696	32	3,380	[X]	[10–19]	[X]	[20–29]
Sunrise Radio AM	2,458	3	311	[X]*	[5–9]	[X]†	[0–4]
Absolute	3,051	4	608	[X]*	[20–29]	[X]†	[5–9]
Premier Christian Radio AM	1,440	2	152	[X]*	[0–4]	[X]†	[0–4]
Kismet Radio 1035	486	1	89	[X]*	[0–4]	[X]†	[0–4]
Buzz Asia 963 and 972 AM	524	1	108	[X]*	[0–4]	[X]†	[0–4]
Spectrum Radio	N/A		N/A	[X]*	[0–4]	[X]†	[0–4]
London Greek Radio	N/A		N/A	[X]*	[0–4]	[X]†	[0–4]
Total	74,320	100		[X]	100	[X]	100

Source: Listening hours and reach are a RALF II weighted average based on RAJAR surveys for the 12 months ending September 2012. Unless otherwise indicated listening hours and reach for each station are those within that station's TSA; revenue data: Global, RSL, third parties, Ofcom.

*Net local advertising, 2011, Ofcom (definition in Annex 1).

†Total relevant revenue, 2011, Ofcom (definition in Annex 1).

Notes:

1. Global and RSL revenue data for period October 2011–September 2012.
2. Bauer revenue data relates to the 12 months ending December 2011.
3. Unless otherwise stated, stations included in the table are those with at least one-third of their transmission area (by population) overlapping with the parties' station's transmission areas.
4. N/A = Not available.

7. The parties' main competitor for listeners post-merger would be Bauer, which has a 32 per cent share of listening hours, and whose two stations reach 3.4 million listeners each week. It has an [10–19] per cent share of revenue from non-contracted sales and a [20–29] per cent share of total revenue. Absolute has a 4 per cent share of listening hours and reaches 608,000 listeners each week. It has a [20–29] per cent share of revenue from non-contracted sales and a [5–9] per cent share of total revenue.

8. The average age of a Smooth listener is 48 years old and Global has two stations with an equivalent or similar average age: LBC (49 years old) and LBC News (48 years old). However, Bauer’s Magic station also reaches a relatively mature audience, with an average age of 44 years.

TABLE 2 Demographics of radio stations in London

Station	Average age	Female reach %	Ofcom licence requirement
<i>Global</i>			
Heart London	40	58	25–44
LBC 97.3	49	46	
LBC News1152 AM	48	44	
Capital London	36	57	Under 40s
Xfm London	34	44	15–34
Gold AM London	54	50	35–54
<i>RSL</i>			
Smooth	48	53	50+
<i>Bauer</i>			
Magic	44	56	Over 35
Kiss	32	55	Under 30s
Sunrise Radio AM	38	43	
Absolute	39	43	25–44
Premier Christian Radio AM	46	60	
Kismet Radio 1035	38	40	Over 35s
Buzz Asia 963 and 972 AM	32	45	15–34

Source: RAJAR average 2011Q4–2012Q3, Ofcom.

The parties’ views

9. Global told us that Smooth was not a significant player in London, having a small market share. It told us that Bauer was a more significant competitor to Global, and that Absolute and some specialist stations also had higher share of non-contracted airtime revenue than Smooth.
10. It told us that the parties’ stations were not close competitors in terms of their target demographics—notably that Smooth targeted a different demographic to Capital and Heart—and that Global’s stations had closer competitors than Smooth (namely Magic and Kiss). It said that although both LBC and Smooth targeted an older audience, they broadcast very different content. It said that Gold did target older listeners but was a minor player in London.

11. Global submitted analysis of [redacted] and that these [redacted] indicated that LBC and Smooth were not close competitors. Our views on this type of evidence are set out in the provisional findings, paragraph 6.50.
12. By reference to its 'lost opportunities' survey, Global submitted that, after declining a campaign proposal by Global, London respondents went on to use a range of non-radio alternatives including local press (39 per cent) , magazines (29 per cent), search engines (38 per cent), social media (36 per cent) and outdoor advertising (31 per cent). It submitted that 26 per cent turned to other radio stations, with 6 per cent indicating that they had used radio stations operated by RSL.
13. Global submitted results from its 'existing customer' survey in London, on the question of what media respondents would use if the Global or RSL station they had used had not been available. Global submitted that 19 per cent of advertisers would choose another radio station compared with 35 per cent who would choose non-radio media.
14. The parties said that its analysis of NMR data for London showed that 57 per cent of Global advertisers and 62 per cent of RSL advertisers in FY2009 did not use them again in FY2010 or FY2011 and that 44 per cent of Global leavers and 53 per cent of RSL leavers used non-radio media. This compares with 31 per cent of Global leavers and 38 per cent of RSL leavers who used other radio stations.

Third party views

15. Third parties told us that the combined entity would account for a high share of the London commercial radio market and would own a large number of radio licences broadcasting to London. [A competitor] told us that Global would have over 50 per cent of commercial listening hours in London post-merger, and that it would have six

FM licences, two AM services and a national FM service with a regional opt out.⁴

Bauer told us that the merged entity would have six out of nine regional licences, and UTV said that it would have seven out of the ten independent local radio (ILR) FM licences that covered Greater London.⁵

16. Two competitors ([REDACTED] and UTV) told us that the parties were relatively close competitors. One competitor said that RSL was noted in the Global/GCap merger as one of a small number of strong competitive constraints in London. UTV said that Smooth competed most closely with LBC (and Absolute); that Classic FM was also a close competitor to Smooth; and that it was arguable that the merger would remove the closest competitor to LBC and Classic FM.

17. UTV told us that, post-merger, there would be only two regional music station radio groups competing with Global, Bauer and Absolute, and that Absolute was a relatively fringe player. It also submitted NMR data showing that 63 per cent of RSL advertisers in Greater London also used Global between July 2011 and June 2012 (and 23 per cent of Global advertisers used RSL). UTV said that London had strategic importance for national advertising campaigns.

Internal documents

18. An RSL research report from 2008 [REDACTED].

East Midlands

19. Global has two stations in the East Midlands: Capital, which can split its advertising across three transmitters (Nottingham, Leicester and Derby and Derbyshire); and an AM station, Gold. RSL has one station, Smooth. The broadcast areas of the parties'

⁴ ie Classic FM. A regional opt out is where, at certain times of the day a station may switch its broadcast to a different broadcast, for instance during the news to report local content.

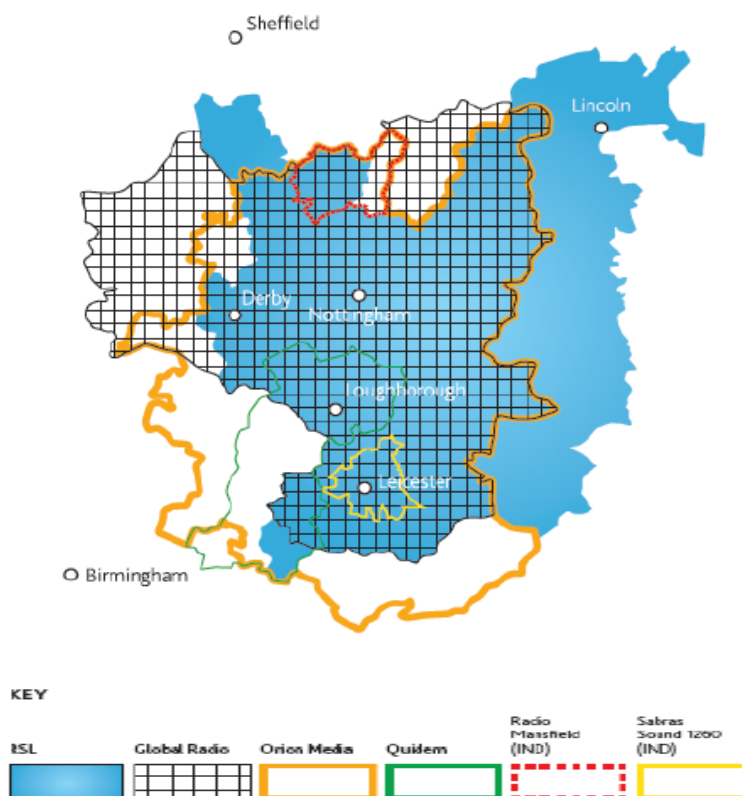
⁵ Differences between third party figures depend on whether Global's AM stations or Classic FM are included.

stations overlap significantly across the region, including in Leicester, Loughborough, Nottingham and Derby.⁶

20. The main competitor in the region is Orion (Gem 106) by reference to the area of geographic overlap. There are also three smaller stations that broadcast to individual areas within the East Midlands: Quidem (Oak FM), which overlaps in the area around Loughborough; Radio Mansfield, which overlaps in the area to the north of the region; and Sabras Sound, which overlaps in the area around Leicester (see Figure 1).

FIGURE 1

Map of the main stations in the East Midlands



Source: Global.

⁶ The parties told us that there was a very small overlap between Smooth and Heart in Hinckley.

21. Table 3 shows shares of listening and revenue for the parties' radio stations in the East Midlands and those of competitor stations.⁷ For each station, listening hours shown are the weekly listening hours within that station's transmission area.

22. The merger parties have a combined share of local/regional commercial radio listening hours of 67 per cent with an increment of 27 per cent and their stations will together reach 750,000 listeners each week. Post-merger they will have [60–69] per cent of revenue from non-contracted sales and [60–69] per cent of total advertising revenue, with an increment of [10–19] and [10–19] per cent respectively.

TABLE 3 Shares of listening, reach and of non-contracted and total revenue in the East Midlands (local/regional commercial radio)

Station	Total listening hours		Total reach '000s	Revenue from non-contracted sales		Total revenue	
	'000s	%		£m	%	£m	%
<i>Global</i>							
Capital East Midlands	3,560	33	482	[£]	[40–49]	[£]	[40–49]
Gold AM	787	7	69	[£]	[0–4]	[£]	[0–4]
Total	4,346	40	537	[£]	[40–49]	[£]	[40–49]
<i>RSL</i>							
Smooth Radio East Midlands	2,889	27	309	[£]	[10–19]	[£]	[10–19]
Total	2,889	27	309	[£]	[10–19]	[£]	[10–19]
Merger parties	7,235	67	750	[£]	[60–69]	[£]	[60–69]
<i>Orion</i>							
Gem 106	3,028	28	391	[£]	[20–29]	[£]	[30–39]
<i>Oak FM</i>	160	1	26	[£]*	[0–4]	[£]†	[0–4]
Radio Mansfield 103.2	373		41	[£]‡	[5–9]	[£]§	[0–4]
Sabras Sound 1260	N/A		N/A	[£]‡	[5–9]	[£]§	[0–4]
Total	10,797	100		[£]	100	[£]	100

Source: Listening hours and reach are a RALF II weighted average based on RAJAR surveys for the 12 months ending September 2012. Unless otherwise indicated listening hours and reach for each station are those within that station's TSA; revenue data: Global, RSL, third parties, Ofcom.

*Net local advertising, 2010, Ofcom.

†Total relevant revenue, 2010, Ofcom.

‡Net local advertising, 2011, Ofcom (definition in Annex 1).

§Total relevant revenue, 2011, Ofcom (definition in Annex 1).

Notes:

1. Global and RSL revenue data for period October 2011–September 2012.

2. [£]

3. Unless otherwise stated, stations included in the table are those with at least one-third of their transmission area (by population) overlapping with the parties' stations' transmission areas.

4. N/A = Not available.

⁷ See the footnote to paragraph 3(a).

23. The main competitor, Orion, has a 28 per cent share of local commercial listening hours and reaches 391,000 listeners each week. It has a [20–29] per cent share of non-contracted advertising revenue and [30–39] per cent share of total advertising revenue.
24. Table 4 shows the demographics of the Global, RSL and Orion radio stations in the East Midlands. It shows that the average age of Gem 106 listeners lies between the respective average ages of Capital and Smooth listeners.

TABLE 4 Demographics of radio stations in the East Midlands

Station	Average age	Female reach %	Ofcom licence requirement
<i>Global</i>			
Capital East Midlands	34	59	Under 44s
Gold AM	51	42	35–54
<i>RSL</i>			
Smooth Radio East Midlands	49	53	50+
Gem 106	41	57	30–54
Quidem (Oak FM)	46	49	25–45
Radio Mansfield 103.2	46	50	25–54
Sabras Sound 1260	N/A	N/A	

Source: RAJAR average 2011Q4-2012Q3, Ofcom.

N/A = Not available.

The parties' views

25. Global told us that the parties were not close competitors in the East Midlands and had different geographic targets. Capital had three TSAs that could be sold separately from one another allowing advertisers to target particular local areas. It stated that [X] per cent of Capital non-contracted campaigns used a single transmitter so Capital was predominantly used by local advertisers. Smooth only offered regional coverage that stretched further east and therefore served regional as opposed to local advertisers.
26. Global told us that it targeted different listeners, with Global aimed at young listeners (those aged under 44) while RSL's Smooth targeted an older audience, generally

aged 50 years or more. Gold also reached a greater proportion of male listeners. In terms of target demographic Orion's Gem 106 was a closer competitor to the parties than they were to each other. Orion would be a strong competitor to the merged entity.

27. Global told us that the prices for its stations were [REDACTED].
28. By reference to its lost opportunities survey, Global submitted that, after declining a campaign proposal by Global, East Midlands respondents went on to use a range of non-radio alternatives including local press (46 per cent), magazines (28 per cent), search engines (27 per cent), social media (31 per cent) and outdoor advertising (31 per cent). It submitted that 29 per cent turned to other radio stations, with 10 per cent indicating that they had used radio stations operated by RSL.
29. Global submitted results from its existing customer survey in the East Midlands on the question of what media respondents would use if the Global or RSL station they had used had not been available. It submitted that these indicated that 15 per cent of East Midlands advertisers would choose another radio station compared with 35 per cent who indicated they would choose non-radio media.
30. Global submitted an analysis of NMR data for East Midlands which it said showed that 52 per cent of Global advertisers and 50 per cent of RSL advertisers in FY2009 did not use them again in FY2010 or FY2011. Of these, 50 per cent of Global-leavers and 64 per cent of RSL-leavers used non-radio media. This compared with 25 per cent of Global-leavers and 42 per cent of RSL-leavers who used other radio stations.

Third party views

31. A number of competitors to the parties said that the merger led to a reduction in radio station groups from three to two in the East Midlands but approached this from different perspectives. Bauer said that the merger reduced the number of competing FM stations in the East Midlands (Capital, Smooth and Orion) from three to two. By contrast, UTV referred to competition between Smooth and Classic FM in the East Midlands region. Bauer stated that UTV and Classic FM were not realistic options for advertisers in the East Midlands as they covered a wider region.

32. The parties' competitors in the East Midlands also told us that the merger parties would have a particularly high market share, with a large increment, though again they calculated these shares on different bases. Bauer stated that on the basis of listening hours, the parties would have a share in excess of 70 per cent within the Smooth and Capital East Midlands TSA. Orion said that the parties would have a share of local commercial listening hours of 67 per cent, and estimated that they would have 60 to 70 per cent of local advertising revenues. [A competitor] indicated that the parties would have a share greater than 60 per cent of commercial listening hours in Nottingham.

33. Third parties told us that Global and RSL were close competitors in the East Midlands. Bauer acknowledged that the parties were not the closest of demographic competitors in the East Midlands, but noted that 85 per cent of its own local revenues were not specific in targeting any sub-demographic reach. Orion stated that Gold and Smooth were primary competitors ([redacted]). Both UTV and Orion submitted Nielsen data showing the number of RSL advertisers that also used Global in the Midlands and vice versa. Orion submitted Nielsen data showing that, over a recent 12-month period, 42 major advertisers with total spending in excess of £12,000 in the Midlands region used both Global and RSL. This was out of 52 advertisers that used Global

and 78 that used RSL. UTV also submitted Nielsen data showing that, between 1 July 2011 and 30 June 2012, 56 per cent of advertisers using RSL in the Midlands also used Global, and 17 per cent of advertisers using Global also used RSL.

Internal documents

34. An RSL commercial business plan for the East Midlands [✂].
35. In a set of company profiles [✂].

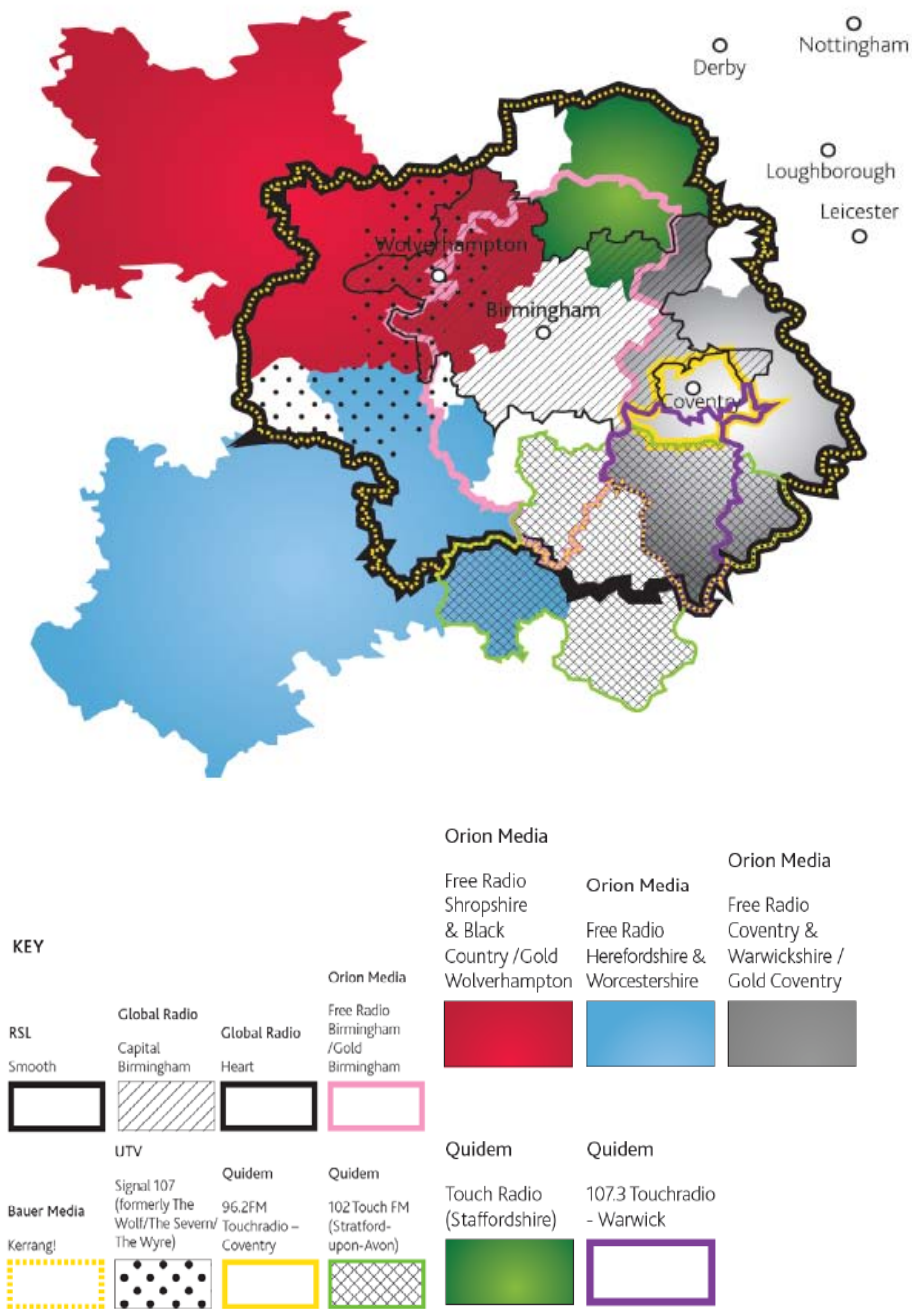
West Midlands

36. Global has two stations in the West Midlands: Heart, which covers the whole of the West Midlands and Capital Birmingham, which covers part of the region including Birmingham and the surrounding area. RSL has Smooth, which has a very similar transmission area to Heart.
37. Bauer's Kerrang! has a similar transmission area to Smooth and Heart. Orion has four FM and three AM stations that form its Free Radio network and together, these cover a similar, though larger, area. UTV has Signal 107 which broadcasts to the west of the region including Wolverhampton. Quidem has four local Touch stations (Touch Staffordshire, Touch Coventry, Touch Stratford and Touch Warwick) and Rugby FM. Independent station Radio XL is also present.⁸

⁸ Radio XL is not shown on the map.

FIGURE 2

Map of the main stations in the West Midlands TSA



Source: Global.

38. The merger parties have a combined share of local/regional commercial radio listening hours of 56 per cent with an increment of 17 per cent and together, their stations reach 1.2 million listeners each week. Post-merger they will have a [30–39] per cent of share of revenue from non-contracted sales and [50–59] per cent of

total advertising revenue with increments of [10–19] per cent and [5–9] per cent respectively.

TABLE 5 Shares of listening, reach and of non-contracted and total revenue in the West Midlands (local/regional commercial radio)

Station	Total listening hours		Total reach '000s	Revenue from non-contracted sales		Total revenue from all sales	
	'000s	%		£m	%	£m	%
<i>Global</i>							
Heart West Midlands	5,552	25	732	[X]	[10–19]	[X]	[30–39]
Capital Birmingham	2,883	13	425	[X]	[10–19]	[X]	[10–19]
Total	8,435	39	994	[X]	[20–29]	[X]	
<i>RSL</i>							
Smooth Radio West Midlands	3,797	17	383	[X]	[10–19]	[X]	[5–9]
Merger parties	12,232	56	1,216	[X]	[30–39]	[X]	[50–59]
<i>Orion</i>							
Free Radio Birmingham FM*	3,241	15	408	[X]	[10–19]	[X]	[10–19]
Free Radio Coventry and Warwickshire FM*	751	3	125	[X]	[5–9]	[X]	[5–9]
Free Radio Herefordshire and Worcestershire FM*	771	4	82	[X]	[5–9]	[X]	[0–4]
Free Radio Shropshire and Black Country FM*	779	4	89	[X]	[10–19]	[X]	[5–9]
Free Radio 80s				[X]	[0–4]	[X]	[0–4]
Free Radio 80s Birmingham AM*	921	4	85	[X]		[X]	
Free Radio 80s Coventry AM*	363	2	23	[X]		[X]	
Free Radio 80s Wolverhampton and Shropshire AM*	46	0	8	[X]		[X]	
Total	6,872	32	800	[X]	[40–49]	[X]	[30–39]
<i>Bauer</i>							
Kerrang! 105.2	1,636	8	302	[X]	[0–4]	[X]	[5–9]
<i>Quidem</i>							
Total Touch Network	782†		98†				
Touch Radio Coventry				[X]‡	[0–4]	[X]§	[0–4]
Touch FM (Stratford)				[X]‡	[5–9]	[X]§	[0–4]
Touch Radio (Staffordshire)				[X]‡	[0–4]	[X]§	[0–4]
Touch Radio (Warwick)				[X]‡	[0–4]	[X]§	[0–4]
Rugby FM	N/A	N/A	N/A	[X]‡	[0–4]	[X]§	[0–4]
Total	782	4	98	[X]	[10–19]	[X]	[5–9]
<i>UTV</i>							
Signal 107	255	1	34	[X]	[0–4]	[X]	[0–4]
Radio XL	N/A	N/A	N/A	[X]‡	[0–4]	[X]§	[0–4]
Total	21,777	100		[X]	100	[X]	100

Source: Listening hours and reach are a RALF II weighted average based on RAJAR surveys for the 12 months ending September 2012. Unless otherwise indicated listening hours and reach for each station are those within that station's TSA; revenue data: Global, RSL, third parties, Ofcom.

*RAJAR classification in brackets: Free Radio Birmingham FM (Free Radio FM—Birmingham and Black Country); Free Radio Coventry and Warwickshire FM (Free Radio FM—Coventry and Warwickshire); Free Radio Herefordshire and Worcestershire FM (Free Radio—Herefordshire and Worcestershire); Free Radio Shropshire and Black Country FM (Free Radio—Shropshire); Free Radio 80s Birmingham AM (Free Radio 80s Birmingham and Black Country); Free Radio 80s Coventry AM (Free Radio 80s Coventry and Warwickshire); Free Radio 80s Wolverhampton and Shropshire AM (Free Radio 80s Shropshire).

†Listening hours and reach within the Heart West Midlands TSA. Note that the Touch Network does not cover the whole of the Heart West Midlands TSA.

‡Net local advertising, 2011, Ofcom (definition in Annex 1).

§Total relevant revenue, 2011, Ofcom (definition in Annex 1).

Notes:

1. Global and RSL revenue data for period October 2011–September 2012.

2. [X]

3. Bauer revenue data relates to the 12 months ending December 2011.

4. [X]

5. Unless otherwise stated, stations included in the table are those with at least one-third of their transmission area (by population) overlapping with the parties' stations' transmission areas.

6. N/A = Not available.

39. Orion is the main competitor in the West Midlands region. It has a share of local commercial listening hours of 32 per cent and its stations reach 800,000 listeners each week. It has a [40–49] per cent share of non-contracted advertising revenues and a [30–39] per cent share of total advertising revenues.

40. However, as shown in Figure 2, the transmission area of two Orion FM stations: Free Radio FM Herefordshire and Worcestershire and Free Radio FM Shropshire & Black Country, overlap only partially with the Heart and Smooth transmission area. Some advertisers may therefore view these particular stations as a weaker substitute for Heart and Smooth if they are particularly focused on reaching the wider West Midlands area.

41. The transmission areas of Smooth and Capital are different, with Smooth covering a population of 3.6 million people within the West Midlands compared with Capital which broadcasts to an area within and around Birmingham covering approximately 2 million people. As shown in Table 6 below, the demographics of each station's listeners also differ. The average age of a Smooth listener is 52 years old compared with 31 years old for Capital.

42. Smooth and Heart transmit over a similar area, but Heart listeners are, on average, younger than Smooth's. Kerrang! also transmits over a similar area to Heart and Smooth but has a distinct demographic, being younger on average and predominantly male. The Orion stations appear, on average, to have a similar demographic to Heart, with an average listener age of 40.

TABLE 6 Demographics of radio stations in the West Midlands

Station	Average age	Female reach %	Ofcom licence requirement
<i>Global</i>			
Heart West Midlands	41	59	25–44
Capital Birmingham	31	57	15–29
<i>RSL</i>			
Smooth Radio West Midlands	52	54	50+
<i>Bauer</i>			
Kerrang! 105.2	34	40	
<i>Quidem</i>			
Touch Radio Network	55	43	25–54*
<i>Orion</i>			
Free Radio FM (West Midlands)	40	55	Under 44 (FM) 35–54 (AM)
<i>UTV</i>			
Signal 107	40	51	15–64†

Source: RAJAR average 2011Q4-2012Q3, Ofcom.

*Relates to the TouchRadio Stratford licence.

†The four Signal licences have various licence requirements ranging from 15–44 (Kidderminster) to 25–64 (Shrewsbury & Oswestry).

The parties' views

43. The parties told us that their combined share of non-contracted revenue was [redacted] per cent, and they were not close competitors. Specifically, Smooth was a regional station, whereas Capital was limited to Birmingham, while Smooth targeted an older demographic than either Capital or Heart. The parties told us that [redacted]. The parties also told us that an effective competitor remained in the form of Orion, which would retain the largest share of non-contracted airtime revenues and was a closer competitor to Heart than Smooth, allowing advertisers to achieve similar regional coverage.
44. By reference to its lost opportunities survey, Global submitted that, after declining a campaign proposal by Global, West Midlands respondents went on to use a range of non-radio alternatives including local press (42 per cent), magazines (29 per cent), search engines (22 per cent), social media (28 per cent) and outdoor advertising

(30 per cent). It submitted that 32 per cent turned to other radio stations, with 10 per cent indicating that they had used radio stations operated by RSL.

45. Global submitted results of its existing customer survey in the West Midlands. In response to the question asking what media respondents would use if the Global or RSL station they had used had not been available, Global submitted that 19 per cent of West Midlands advertisers would choose another radio station compared with 23 per cent that would choose non-radio media.
46. The parties' analysis of NMR data for West Midlands showed that 51 per cent of Global advertisers and 55 per cent of RSL advertisers in FY2009 did not use them again in FY2010 or FY2011. The parties told us that, of these advertisers, 53 per cent of Global-leavers and 59 per cent of RSL-leavers used non-radio media. This compared with 42 per cent of Global-leavers and 40 per cent of RSL-leavers who used other radio stations.

Third party views

47. Bauer said that the merged entity would own two out of three regional licences, and UTV said that it would own four out of six FM licences in Birmingham.
48. Orion said that the merger parties would have a local commercial audience share of 55 per cent across the West Midlands and a reach of 31 per cent. The parties would also have a reach of 41 per cent in the Birmingham/Black Country area. [A competitor] said that Global would have a 50 to 65 per cent share of commercial radio listening hours in the BBC West Midlands TSA. Bauer stated that Global would have a 64 per cent share of listening hours in the Smooth and Heart TSAs and 69 per cent in the Capital TSA.

49. Third parties told us that the parties were close competitors in the West Midlands. Bauer said that, although Smooth was targeted at an older audience than Heart/Capital, they were still main competitors to each other. Orion said that Heart, Smooth, Capital and Free Radio challenged each other for audience and revenues, and that Heart was a close competitor to Smooth.
50. UTV said that, although Heart and Smooth did not appeal to identical demographics, there was some overlap—in particular, Smooth and Classic FM also had a similar target demographic. Furthermore, it stated that the RSL and Global stations were more similar to each other than they were to Kerrang! Orion and UTV submitted Nielsen data relating to the Midlands region (see paragraph 33 above).
51. With respect to remaining competitors in the area, Orion told us that the parties' primary competition would be from Free Radio, which sat between the parties in demographic terms. Bauer told us that Orion's FM stations had a narrower geographic focus and its Gold AM stations (now rebranded to Free Radio 80s) did not compete significantly with FM stations. Orion told us that there would be competition from Kerrang! Bauer said that Kerrang! had a younger and more male demographic than the parties and [a competitor] told us that Kerrang! was a very niche station. Bauer also said that UTV and Classic FM did not have regional macros focused on the West Midlands, and so were not realistic alternatives to the parties' other stations.
52. UTV said that advertisers could use Smooth, Heart and Classic to reach a regional audience, possibly bundling Orion stations together. However, it stated that FRS's stations did not give advertisers access to the regional hub (ie Birmingham) so they were not a suitable alternative to a regional station.

53. As a further issue of concern, Orion said that it thought [REDACTED]. Global would have bigger audience in every demographic and be able to offer stations as 'added value'.

Internal documents

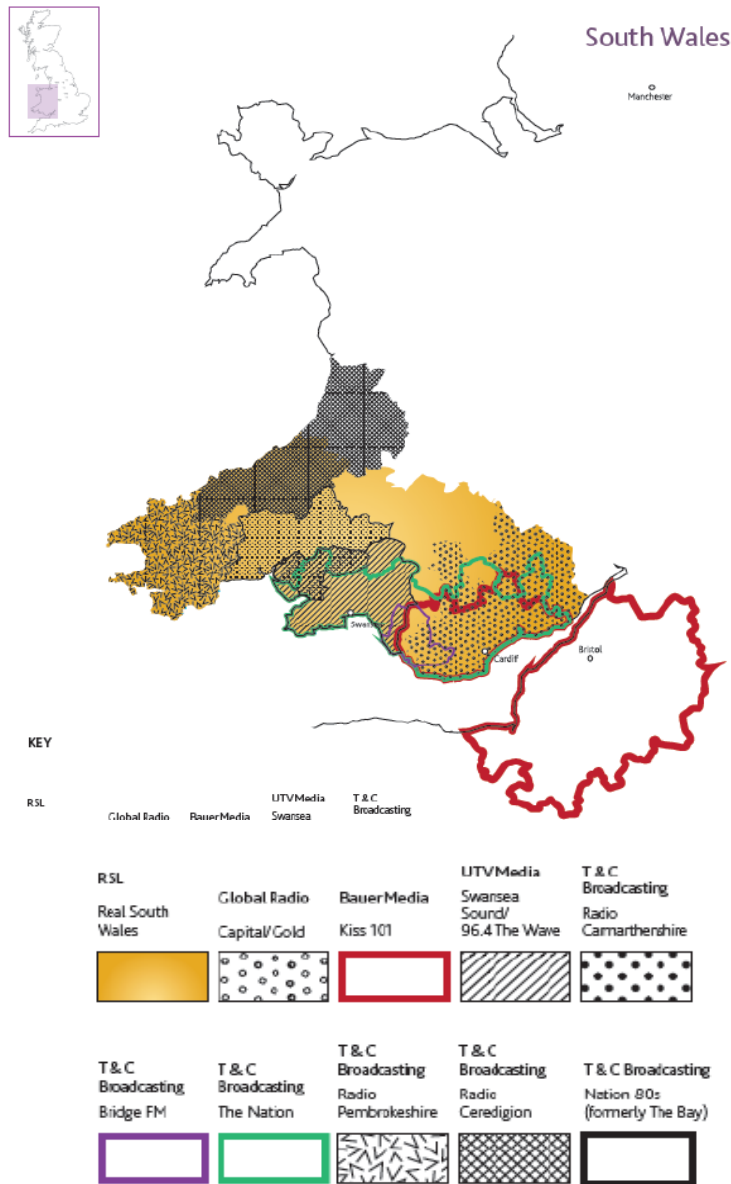
54. In an RSL local strategy document, [REDACTED].

Cardiff and South Wales

55. Global has two stations broadcasting in Cardiff: Capital (FM) and Gold (AM). RSL's Real station broadcasts across South Wales and also sells advertising to the whole region or separately for the Cardiff area where the two parties overlap.
56. Town and Country has seven stations in South Wales: Radio Carmarthenshire, Bridge FM, Radio Ceredigion, Radio Pembrokeshire, Nation 80s, Nation and Scarlet FM. Each of these broadcasts to an area within or overlapping the Real transmission area. Two stations broadcast to an area that overlaps with the Capital transmission area: Bridge FM transmits in Bridgend and Nation broadcasts across an area including Cardiff, Swansea and Newport. Nation has a split transmitter for Cardiff.
57. UTV has two stations in South Wales: Wave 96.4 and Swansea Sound AM. These both broadcast in Swansea. Bauer has one station: Kiss 101. This broadcasts across Cardiff and Bristol.

FIGURE 3

Map of the main stations in Cardiff and South Wales



Source: Global.

Note: Bauer's Kiss station broadcasts outside South Wales. Revenue and listening hours for Kiss include those across its entire transmission area.

58. Global has 16 per cent of local/regional commercial radio listening hours in South Wales and reaches 264,000 listeners per week. RSL has 30 per cent of listening hours and reaches 421,000 listeners per week. The parties would have a combined share of revenue from non-contracted sales of [40–49] per cent and a combined

share of total revenue of [40–49] per cent with an increment of [10–19] per cent and [20–29] per cent respectively.

TABLE 7 Shares of listening, reach and of non-contracted and total revenue in Cardiff and South Wales (local/regional commercial radio)

Station	Total listening hours		Total reach '000s	Revenue from non-contracted sales		Total revenue from all sales	
	'000s	%		£m	%	£m	%
<i>Global</i>							
Capital South Wales	1,363		214	[£]	[10–19]	[£]	[20–29]
Gold South Wales AM	756		63	[£]	[0–4]	[£]	[0–4]
Total	2,119	16	264	[£]	[10–19]	[£]	[20–29]
<i>RSL</i>							
Real Radio Wales (South)	3,973	30	421	[£]	[20–29]	[£]	[20–29]
Merger parties	6,092	46	592	[£]	[40–49]	[£]	[41–49]
<i>Town and Country</i>							
Nation Radio	895		124	[£]	[5–9]	[£]	[0–5]
Radio Carmarthenshire and Scarlet FM	373		42	[£]	[5–9]	[£]	[0–4]
106.3 Bridge FM	301		33	[£]	[5–9]	[£]	[0–4]
102.5 Radio Pembrokeshire	558		48	[£]	[10–19]	[£]	[5–9]
Radio Ceredigion	64		13	[£]	[0–5]	[£]	[0–4]
Nation 80s	233		39	[£]	[0–5]	[£]	[0–4]
Total	2,424	18	282	[£]	[30–39]	[£]	[20–29]
<i>Bauer</i>							
Kiss (West)	3,124	24	469	[£]	[0–5]	[£]	[10–19]
<i>UTV</i>							
Swansea Sound 1170	527		58				
96.4 FM The Wave	1,060		130				
Total	1,587	12	168	[£]	[10–19]	[£]	[10–19]
Total	13,227			[£]	100	[£]	100

Source: Listening hours and reach are a RALF II weighted average based on RAJAR surveys for the 12 months ending September 2012. Unless otherwise indicated listening hours and reach for each station are those within that station's TSA; revenue data: Global, RSL, third parties, Ofcom.

Notes:

1. Global and RSL revenue data for period October 2011–September 2012.
2. Town and Country revenue data relates to the 12 months ending 31 December 2011.
3. Bauer revenue data relates to the 12 months ending December 2011.
4. [~~£~~]
5. Unless otherwise stated, stations included in the table are those with at least one-third of their transmission area (by population) overlapping with the parties' stations' transmission areas.

59. The parties' main competitor for listeners post-merger in South Wales would be Town and Country which has 18 per cent of listening hours and reaches 282,000 listeners per week. It has a [30–39] per cent share of non-contracted sales and [20–29] per cent share of total revenue.

60. The demographics of the parties' stations and their competitors in Cardiff and South Wales are shown in Table 8 below. Capital listeners are on average 34 years old and

Real listeners are 42. Most of the Town and Country stations have listeners in their 40s, except Nation Radio which attracts a younger audience on average and one which is more predominantly male. Kiss has a slightly younger average age of listener to Capital and attracts a similar proportion of female listeners.

TABLE 8 **Demographics of radio stations in Cardiff and South Wales**

<i>Station</i>	<i>Average age</i>	<i>Female reach %</i>	<i>Ofcom licence requirement</i>
<i>Global</i>			
Capital South Wales	34	58	Under 44s
Gold South Wales AM	51	49	35–54
<i>RSL</i>			
Real Radio Wales (South)	42	51	25–54
<i>Town and Country</i>			
Nation Radio	34	35	15–34
	46	54	
Carmarthenshire and Scarlet FM	42		25–54
		51	
106.3 Bridge FM	49	53	Adults
Pembrokeshire	47	58	15+
Radio Ceredigion	44	51	35+
Nation 80's			
<i>Bauer</i>			
Kiss 101 (West)	31	56	Under 30s
<i>UTV</i>			
Swansea Sound 1170	56	49	Over 30s
96.4 FM The Wave	40	61	Under 40s
	34	58	Under 44s

Source: RAJAR average 2011Q4–2012Q3, Ofcom.

61. The area of transmission overlap between the parties in South Wales is restricted to Cardiff. Global has two stations broadcasting to Cardiff: Capital and Gold. RSL's Real station sells advertising across South Wales but advertisers can buy advertising separately for the Cardiff area. Real achieves 2,087 of its listening hours each week within the Capital transmission area. The parties told us that [X] per cent of Real revenue in Wales was associated with Cardiff-only non-contracted campaigns. On this basis, we estimate that Real raised £[X] from Cardiff-only campaigns between October 2011 and September 2012. RSL submitted that the most appropriate way to allocate contracted and S&P revenues to Cardiff was [X]. On this basis the total revenue of Real attributable to Cardiff would be £[X] million in the 12 months to September 2012.

62. Advertisers wanting to target Cardiff and the surrounding area could also use Town and Country's Nation station which has a split transmission in Cardiff. Town and Country told us that it had only begun offering advertisers the choice of advertising specifically to the Cardiff and Newport area since September 2012. It provided data that showed, for December 2012, around [80] per cent of all Nation non-contracted revenue and [80] per cent of all revenue was attributable to Cardiff-only advertising. However, we consider that this share may be expected to grow. Bridge FM overlaps with the parties' stations but only to a very limited extent and not within Cardiff itself.
63. An advertiser wishing to target the Cardiff area only could use Capital, Gold, or Nation's or Real's Cardiff transmitters. The merger parties achieve a total of 4.2 million listening hours and reach 399,000 listeners per week within the Capital transmission area. Nation is smaller, accounting for 561,000 listening hours per week and reaching 78,000 people within the Capital transmission area. On the basis of the data provided above, the parties will account for around [90–100] per cent of revenue derived from Cardiff-only non-contracted advertising campaigns (increment of [20–25] per cent) and around [90–100] per cent of total revenue. However, we note that Nation has only recently begun offering the option of a Cardiff-only transmitter to advertisers so its share of revenue may grow in future.
64. Advertisers simply wishing to cover Cardiff could also advertise on Bauer's Kiss, whose broadcast area covers a wider area including Bristol. If revenue and listening hours from Kiss are included then the parties' combined share of non-contracted advertising revenue is [80–89] per cent and its share of all advertising revenue is [70–79] per cent. On that basis, the parties would account for 53 per cent of listening hours per week.

The parties' views

65. The parties stated that Capital overlapped with less than half of the Real transmission area and therefore Capital was unlikely to be an alternative for advertisers targeting South Wales.
66. They stated that Capital and Real targeted different listeners: Capital targeted younger listeners than Real. Kiss and Nation targeted a similar type of listener to Capital.
67. [✂]
68. Other competitors are present, including Bauer and Town and Country which are present in South Wales and Cardiff. Advertisers can use a combination of stations belonging to different owners to target the area. There is also a strong constraint from other media: local press is a significant constraint in South Wales and Cardiff in particular, where four major newspaper groups are present.
69. By reference to its lost opportunities survey, Global submitted that, after declining a campaign proposal by Global, South Wales respondents went on to use a range of non-radio alternatives including local press (46 per cent), magazines (26 per cent), search engines (34 per cent), social media (36 per cent) and outdoor advertising (27 per cent). It submitted that 26 per cent turned to other radio stations, with 18 per cent indicating that they had used radio stations operated by RSL.
70. Global submitted results from its existing customer survey in South Wales which asked respondents what media they would use if the Global or RSL station they had used had not been available. It submitted that 18 per cent of South Wales advertisers

indicated that they would choose another radio station compared with 34 per cent that indicated they would choose non-radio media.

71. The parties' analysis of NMR data for South Wales showed that 47 per cent of Global advertisers and 45 per cent of RSL advertisers in FY2009 did not use them again in FY2010 or FY2011. The parties told us that, of these, 40 per cent of Global-leavers and 50 per cent of RSL-leavers used non-radio media. This compared with 32 per cent of Global-leavers and 42 per cent of RSL-leavers who used other radio stations.

Third party views

72. UTV told us that, pre-merger, a regional audience could be reached by using either Real or Capital or Capital and local stations. It told us that Capital was the only suitable alternative to reaching a significant proportion of Real's listening base. It submitted Nielsen data showing that 49 per cent of RSL advertisers in Wales and west England also advertised on Global. It told us that Nation was a relatively niche station which did not have the same listener base as Real. Further, Kiss would not be a suitable alternative to accessing the Real listener base as its target demographic and geographic coverage were in large part distinct.
73. Bauer told us that the merger represented a reduction in choice for local and regional advertisers of two to one. It told us that the combined entity would have a share of listening of over 75 per cent in South Wales. It also told us that Capital was Real's closest competitor in South Wales, having a similar output and demographic reach. It stated that Classic FM and UTV were not realistic alternatives for advertisers as they did not have regional macros focused on Wales.
74. Town and Country stated that, pre-merger, local advertisers in Cardiff could use either Capital or Real, perhaps supplementing them with Kiss or Nation. It stated that

there were five universally available commercial radio stations in Cardiff but the merger parties were the mainstream stations. The parties would have a share of 77.9 per cent of listening hours and an estimated [80–89] per cent of local advertising revenues in Cardiff and south-east Wales. Town and Country told us that Nation was positioned to compete with Real and Capital, having recently offered clients the opportunity to advertise in either Cardiff or south-west Wales or both areas. Town and Country told us that its network of local radio stations was stronger in the west of Wales. It told us that there was no mainstream radio competitor remaining in Cardiff. The Western Mail was available and had a slight Cardiff-centric readership but it covered a wider area. It also told us that local advertisers might not be able to advertise if Global preferred to advertise national brands. Further, larger customers might gravitate towards using Global (eg [redacted]).

75. [A competitor] stated that the merger parties would have a share of around 65 per cent of commercial radio in Cardiff.

Internal documents

76. An RSL local strategy document for Wales [redacted].
77. RSL submitted a number of pitch documents [redacted].
78. An RSL internal presentation [redacted].

North Wales

79. Global broadcasts on two stations in North Wales: Gold (AM) and Heart. The latter broadcasts across four transmitters and sells advertising separately on each: Anglesey and Gwynedd; the North Wales coast; Wrexham and Chester; and the

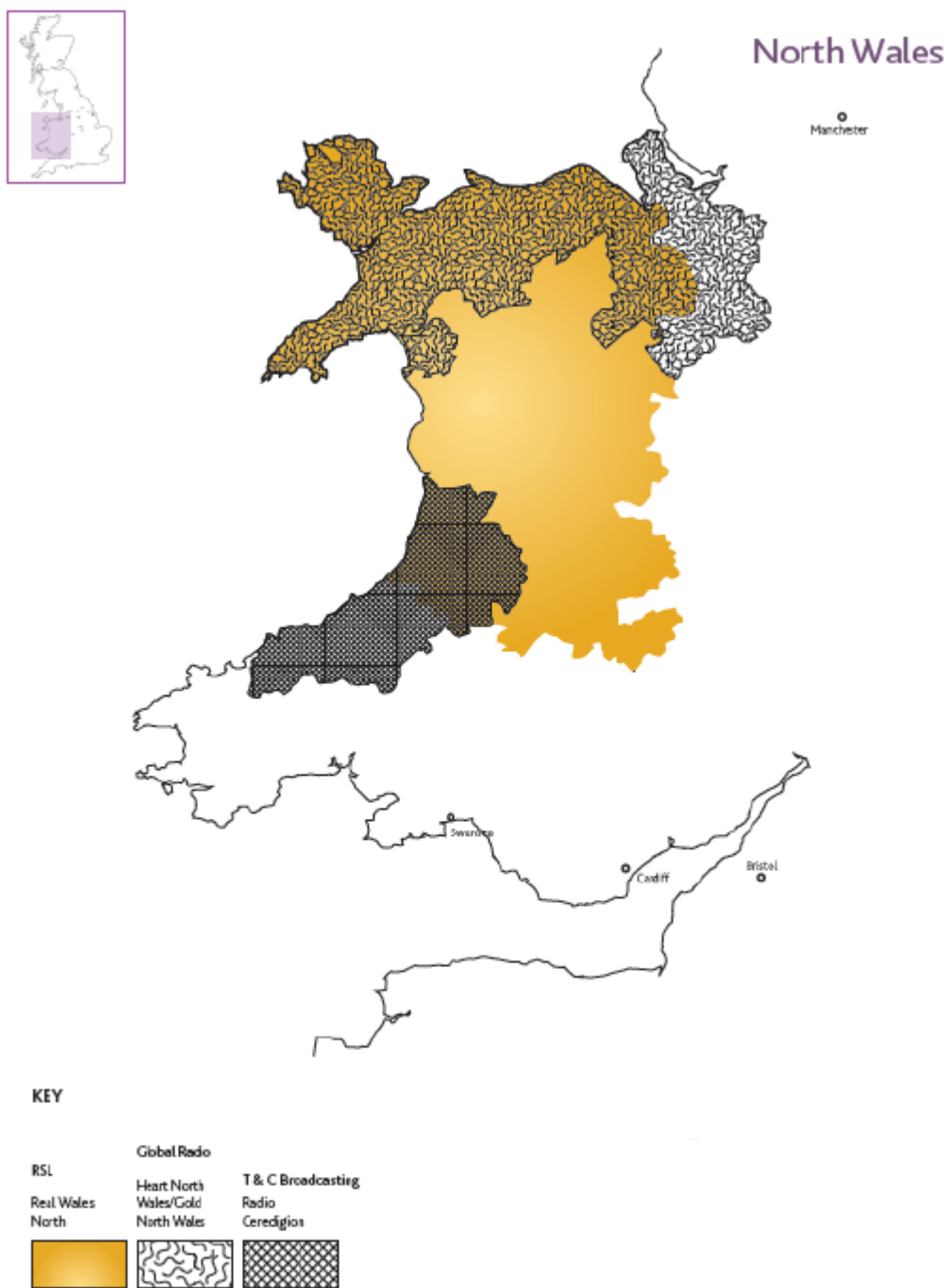
Wirral. RSL's Real station broadcasts across North Wales and does not sell advertising on separate transmitters.

80. Global highlights three commercial radio competitors in North Wales: Radio Ceredigion owned by Town and Country Broadcasting which broadcasts in West Wales and overlaps with Real in the south-west part of Real's TSA; and the independent stations Radio Hafren and Radio Dee.⁹

⁹ The parties stated that although Radio Dee overlapped with the Real Gold TSA it broadcast primarily in Chester. Therefore it is instead included within the local area analysis for the North-West region.

FIGURE 4

Map of the main stations in North Wales and surrounding area



Source: Global.

Note: The map does not show Radio Hafren or Radio Dee.

- 81. The parties indicated that it was appropriate to include only Heart revenues from the North Wales coast, and Anglesey and Gwynedd transmitters. Revenues from

Wrexham and Chester and the Wirral are instead included in Global's North-West regional market share.

82. Global has an 81 per cent share of local/regional commercial listening hours in North Wales and Heart reaches 230,000 listeners a week (see Table 9). RSL has a 17 per cent share of listening hours and a reach of 55,000 listeners a week. Post-merger the parties would have a combined share of revenue from non-contracted sales of [70–79] per cent and combined share of total revenue of [80–89] per cent with increments of [10–19] and [10–19] per cent respectively.

TABLE 9 Shares of listening, reach and of non-contracted and total revenue in North Wales (local/regional commercial radio)

Station	Total listening hours		Total reach		Revenue from non-contracted sales		Total revenue from all sales	
	'000s	%	'000s	%	£m	%	£m	%
<i>Global</i>								
Heart North West and Wales*	1,772	68	230	33				
Heart Wales North Coast					[£]†	[30–39]	[£]†	[40–49]
Heart Anglesey and Gwynedd					[£]	[10–19]	[£]	[10–19]
Gold North West and Wales (AM)	319	12	28	4	[£]	[10–19]	[£]	[5–9]
Total	2,091	81	246	38	[£]	[60–69]	[£]	[70–79]
<i>RSL</i>								
Real Radio Wales (North)	434	17	55	8	[£]	[10–19]	[£]	[10–19]
Merger parties	2,525	98	280	41	[£]	[70–79]	[£]	[80–89]
Radio Ceredigion	64	2	13	2	[£]	[10–19]	[£]	[10–19]
Radio Hafren AM	N/A	N/A	N/A	N/A	[£]‡	[5–9]	[£]	[0–4]
Total	2,589	100			[£]	100	[£]	100

Source: Listening hours and reach are a RALF II weighted average based on RAJAR surveys for the 12 months ending September 2012. Unless otherwise indicated listening hours and reach for each station are those within that station's TSA; revenue data: Global, RSL, third parties, Ofcom.

*Figures include hours and reach within the whole Heart North West and Wales TSA

†Revenue generated during period April 2011–March 2012 (Source: Global transaction database).

‡Net local advertising, 2011, Ofcom (definition in Annex 1).

§Total relevant revenue, 2011, Ofcom (definition in Annex 1).

Notes:

1. Unless otherwise indicated, Global and RSL revenue data for period October 2011–September 2012.

2. Unless otherwise stated, stations included in the table are those with at least one-third of their transmission area (by population) overlapping with the parties' stations' transmission area.

3. N/A = Not available.

83. Radio Ceredigion overlaps with the transmission area of Real but not Heart or Gold.

If its revenues and listening hours were excluded from Table 9 then the merger

parties would account for almost all commercial radio listening and radio advertising revenue in North Wales.

84. As shown in Table 10, the demographics of Heart and Real are very similar.

TABLE 10 Demographics of radio stations in North Wales

Station	Average age	Female reach %	Ofcom licence requirement
<i>Global</i>			
Heart	39	58	
Gold	48	39	35-54
<i>RSL</i>			
Real	38	56	25-54
Radio Ceredigion	47	58	15+
Radio Hafren	N/A	N/A	

Source: RAJAR average 2011Q4-2012Q3, Ofcom.

N/A = Not available.

The parties' views

85. The parties noted that [REDACTED].

86. Global told us that there were a number of smaller radio stations remaining in North Wales including Radio Ceredigion and Radio Hafren. Furthermore, local press was a significant constraint: there were at least two newspapers owned by different groups in most areas within North Wales.

87. The parties stated that they were not close competitors. Heart's customers were primarily local: [REDACTED]. In contrast a significant proportion of Real revenues were sold at a 'Wales' level. Further, Real's entry into North Wales [REDACTED]. Real only reached 47,000 listeners by Q4 2011.

88. By reference to its lost opportunities survey, Global submitted that, after declining a campaign proposal by Global, North Wales respondents went on to use a range of non-radio alternatives including local press (75 per cent) , magazines (33 per cent),

search engines (22 per cent), social media (51 per cent) and outdoor advertising (45 per cent). It submitted that 18 per cent turned to other radio stations, with 14 per cent indicating that they had used radio stations operated by RSL.

89. Global submitted results from its existing customer survey in North Wales, which asked respondents what media they would use if the Global or RSL station they had used had not been available. It submitted that 11 per cent of North Wales advertisers indicated that they would choose another radio station compared with 29 per cent that indicated they would choose non-radio media (including 14 per cent indicating that they would use the local press).

90. [REDACTED]

Third party views

91. Town and Country indicated that it did not compete strongly with Real as most of its clients in Ceredigion were only interested in advertising to that county. It considered that the merger would leave no competitor to the parties in North Wales.

92. Bauer told us that the merger reduced the number of options for advertisers wishing to target North Wales from two to one. The parties had a similar demographic profile and would have a combined share of listening hours of 95 per cent within the Real transmission area and 66 per cent within the Heart transmission area.

Internal documents

93. In a Heart North West and Wales three-year territory business plan, [REDACTED].

94. An RSL SWOT analysis of North Wales [REDACTED].

95. In an RSL internal document [REDACTED].
96. In its licence application for the North Wales service, [REDACTED].
97. RSL's licence application documents [REDACTED].

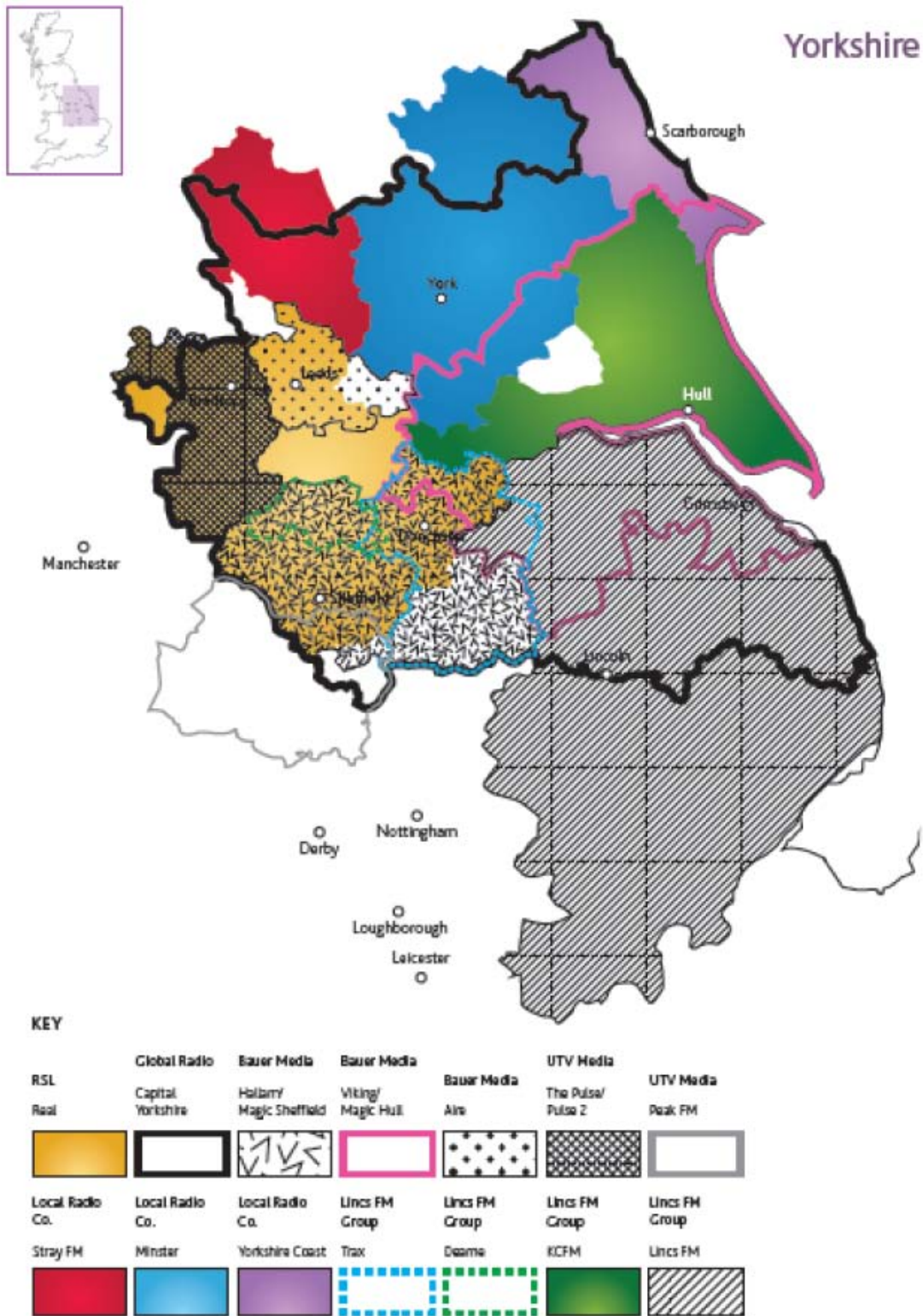
Yorkshire, Humberside and Lincolnshire

98. The Global station in Yorkshire is Capital which transmits across the regions and offers split local transmitters enabling advertisers to target two areas: North Yorkshire into Humberside and Lincolnshire; and South and West Yorkshire. Real broadcasts to an area covering Bradford, Leeds, Sheffield and Doncaster. This is a similar area to that covered by the South and West Yorkshire Capital transmitter.
99. Competitors broadcasting in these regions include Bauer, UTV, Lincs FM and The Local Radio Company.
100. Bauer operates three FM stations in South and West Yorkshire (Hallam, Viking and Aire). It also operates Magic stations that broadcast on AM. The parties stated that airtime on Bauer's Hallam station could be sold to advertisers on a split transmission basis but as far as they were aware, Bauer did not do so.
101. Lincs FM own several stations: Trax (Doncaster and surrounding area); Dearne (Barnsley); KCFM (Kingston-upon-Hull); Ridings (Wakefield); Rother FM (Rotherham); Compass (Grimsby); and Lincs FM (Lincolnshire). UTV is present with two FM stations in the west of the Capital transmission region: The Pulse (including Bradford and Huddersfield) and Peak FM (the Peak District). UTV also broadcasts The Pulse 2 on AM which covers the same region as The Pulse (including Bradford and Huddersfield).

102. The Local Radio Company is present with three FM stations: Minster FM broadcasting to York and the surrounding area, Stray 97.2 available in Harrogate and Yorkshire Coast which broadcasts in Scarborough, Whitby and Bridlington. Sunrise is an independent station broadcasting in Bradford.

FIGURE 5

Map of the main stations Yorkshire, Humberside and Lincolnshire



Source: Global.

Note: Rother FM, Ridings FM and Sunrise FM not shown on map.

103. Table 11 shows the share of listening and revenue for radio stations in Yorkshire, Humberside and Lincolnshire. The combined entity has a share of 41 per cent of local/regional commercial radio listening hours (with an increment of 13 per cent) and reaches 1.3 million listeners a week. Post-merger the parties will have a combined share of revenue from non-contracted sales of [30–39] per cent and combined share of total revenue of [30–39] per cent with an increment of [10–19] per cent in each case.

TABLE 11 Shares of listening, reach and of non-contracted and total revenue in Yorkshire, Humberside and Lincolnshire (local/regional commercial radio)

Station	Total listening hours		Total reach		Revenue from non-contracted sales		Total revenue from all sales	
	'000s	%	'000s		£m	%	£m	%
<i>Global</i>								
Capital Yorkshire	8,173	28	1,101		[£]	[10–19]	[£]	[20–29]
<i>RSL</i>								
Real Radio Yorkshire	3,738	13	385		[£]	[10–19]	[£]	[10–19]
Merger parties	11,911	41	1,318		[£]	[30–39]	[£]	[30–39]
<i>Bauer</i>								
Hallam FM	2,896	10	382		[£]*	[5–9]	[£]*	[10–19]
Magic AM (Sheffield)	999	3	92					
96.9 Viking	1,568	5	227		[£]*	[5–9]	[£]*	[5–9]
Magic 1161 (Hull)	746	3	61					
96.3 Radio Aire	885	3	125		[£]*	[5–9]	[£]*	[5–9]
Magic 828 (Leeds)	1,181	4	112					
Total	8,275	28	924		[£]	[20–29]	[£]	[30–39]
<i>UTV</i>								
The Pulse	700	2	135		[£]†	[5–9]	[£]	[5–9]
Pulse 2 (AM)	164	1	51					
Peak 107 FM	865	3	99		[£]	[5–9]	[£]	[0–5]
Total	1,729	6	254		[£]	[10–19]	[£]	[5–9]
<i>Lincs FM Group</i>								
Dearne FM	360	1	48		[£]‡	[0–4]	[£]§	[0–4]
Trax FM	836	3	98		[£]‡	[0–4]	[£]§	[0–4]
KCFM 99.8	619	2	87		[£]‡	[0–4]	[£]§	[0–4]
Lincs102.2 FM	3,645¶	12	310¶		[£]‡	[5–9]	[£]§	[5–9]
Rother FM	290	1	36		[£]‡	[0–4]	[£]§	[0–4]
Ridings FM	411	1	48		[£]‡	[0–4]	[£]§	[0–4]
Total	6,161	21	624		[£]	[10–19]	[£]	[10–19]
<i>The Local Radio Company</i>								
97.2 Stray FM	357	1	48		[£]‡	[5–9]	[£]§	[0–4]
Minster FM	430	1	73		[£]‡	[5–9]	[£]§	[0–4]
Yorkshire Coast Radio	436	1	41		[£]‡	[0–4]	[£]§	[0–4]
Total	1,223	4	162		[£]	[10–19]	[£]	[5–9]
Sunrise FM	N/A	N/A	N/A	N/A	[£]‡	[0–4]	[£]§	[0–4]
Total	29,299	100			[£]	100	[£]	100

Source: Listening hours and reach are a RALF II weighted average based on RAJAR surveys for the 12 months ending September 2012. Unless otherwise indicated listening hours and reach for each station are those within that station's TSA. Revenue data: Global, RSL, third parties, Ofcom..

*Includes revenue from the associated Magic AM station.

†Includes revenue for Pulse 2 AM.

‡Net local advertising, 2011, Ofcom (definition in Annex 1).

§Total relevant revenue, 2011, Ofcom (definition in Annex 1).

¶Includes hours and reach for Compass FM and Rutland Radio.

Notes:

1. Global and RSL revenue data for period October 2011–September 2012.

2. Bauer revenue data relates to the 12 months ending December 2011.

3. [£]

4. Unless otherwise stated, stations included in the table are those with at least one-third of their transmission area (by population) overlapping with the parties' stations' transmission area.

5. N/A = Not available.

104. A number of alternative radio groups broadcast to substantial parts of the Capital transmission area, including Bauer, The Lincs FM Group and The Local Radio Company.

105. The main competitor, Bauer, has a 28 per cent share of listening hours and reaches 924,000 listeners each week. It has a share of [20–29] per cent of non-contracted advertising revenue and a share of [30–39] per cent of total advertising revenue. The Lincs FM group has a share of [10–19] per cent of non-contracted advertising revenue although we note that its Lincs FM station broadcasts to a significant extent outside the Capital transmission area.

106. As shown in Table 12 below, while the Capital licence stipulates that its content should cater for a 15 to 29 year old audience, the average age of its listeners is 33. This is nevertheless younger than the average age of listeners for the other stations broadcasting in Yorkshire, Humberside and Lincolnshire. The FM stations of Bauer, its largest competitor across the region, have a higher target age range (over 30s) but reach an audience with an average age in the mid to late 30s.

107. Bauer's two stations in the South and West Yorkshire region (Hallam and Aire) and UTV's Pulse and Pulse 2 (AM) stations each have a closer audience demographic to Real than Real does to Capital.

TABLE 12 Demographics of radio stations in Yorkshire, Humberside and Lincolnshire

Station	Average age	Female reach %	Ofcom licence requirement
<i>Global</i>			
Capital	33	57	15–29
<i>RSL</i>			
Real	39	51	25–54
<i>Bauer</i>			
Hallam FM	40	54	15–44
Magic AM (Sheffield)	49	50	Over 30s
96.9 Viking	38	50	15–44
Magic 1161 (Hull)	47	61	Over 30s
96.3 Radio Aire	36	54	15–44
Magic 828 (Leeds)	51	55	Over 30s
<i>UTV</i>			
The Pulse	41	52	Over 40s
Pulse 2 (AM)	42	52	
Peak 107 FM	48	54	
<i>Lincs FM Group</i>			
Dearne FM	45	46	
Trax FM	48	51	25–54
KCFM 99.8	42	43	
Lincs 102.2 FM	46	57	
Rother FM	44	49	
Ridings FM	44	55	
<i>The Local Radio Company</i>			
97.2 Stray FM	45	51	25–54
Minster FM	43	52	
Yorkshire Coast Radio	46	52	
Sunrise FM	N/A	N/A	

Source: RAJAR average 2011Q4–2012Q3, Ofcom.

N/A = Not available.

108. Both parties are able to offer advertising targeted to the South and West Yorkshire region covered by the Real TSA. We note that Real is technically able to sell airtime on a split transmission basis within this area but does not currently do so. 5.6 million out of Capital’s 8.1 million listening hours per week occur within South and West Yorkshire.¹⁰ Furthermore, the parties told us that around [] per cent of Capital revenues from the sale of non-contracted advertising arose from advertising targeting South and West Yorkshire. On this basis we estimate that Capital’s non-contracted

¹⁰ Approximated by reference to the Real transmission area.

revenue derived from campaigns targeting the region were [£x]¹¹ and we estimate its total revenue in South and West Yorkshire to be around [£x].¹²

109. An advertiser wishing to target the South and West Yorkshire region would therefore be able to advertise on Real or the South and West Yorkshire transmitter of Capital. As shown in Figure 5, Bauer, UTV and The Lincs Group also have stations targeting this region or areas within it. Bauer's Hallam FM broadcasts across South Yorkshire including Sheffield and Doncaster; Radio Aire has a transmission area centred on Leeds and two Magic stations on AM (together broadcasting in Leeds, Sheffield, Rotherham, Barnsley and Doncaster). UTV's The Pulse broadcasts on FM to the west of the overlap area covering Bradford and it has an AM station which broadcasts to the same area, Pulse 2.¹³ The Lincs FM Group also operates Dearne which broadcasts to Barnsley, Trax which broadcasts to South-East Yorkshire including Doncaster, Rother FM which broadcasts to Rotherham, and Ridings which broadcasts to Wakefield. Independent Sunrise FM is available in Bradford.
110. By using the listening hour and revenue data in Table 11 for the stations targeting the South and West Yorkshire region, but using the Capital listener and revenue share information referred to in paragraph 113, we estimate the parties' share of total local/regional commercial radio listening hours in South and West Yorkshire to be 52 per cent with an increment of 21 per cent. The combined entity would reach 953,000 listeners each week. We estimate that their share of non-contracted advertising revenue is [30–39] per cent with an increment of [20–29] per cent¹⁴ and their share of total advertising revenue to be around [40–49] per cent with an increment of [10–19] per cent.

¹¹ For the period October 2011–September 2012.

¹² £[x] revenue is attributed to the Capital South and West transmitter in the Global Transaction Database for FY2011. This may include revenue relating to campaigns covering a wider region.

¹³ UTV also broadcasts Peak FM which overlaps with the parties' TSAs, however, it only overlaps by approximately one-third of its own TSA (by population) and it appears to be focused on the Chesterfield area. We have therefore excluded this from subsequent analysis of the South and West Yorkshire region.

¹⁴ This will exclude revenue earned by Capital relating to campaigns covering both of its transmitters.

111. The Bauer stations have a combined share of listening of 33 per cent and reach 661,000 listeners each week. They account for [20–29] per cent of non-contracted advertising revenue in the South and West Yorkshire region. The UTV stations have a combined share of total listening hours of 5 per cent and they reach 155,000 listeners each week with a share of non-contracted revenue in the region of [10–19] per cent.

The parties' views

112. With reference to competition in the Yorkshire, Humberside and Lincolnshire regions, Global stated that the merged entity would not be the largest commercial radio company post-merger and several other players would remain with a share of 10 per cent or more. Furthermore, Real overlapped with less than one-third of the Capital transmission area so was unlikely to be considered an effective alternative to advertising across the whole region. A combination of Bauer stations would achieve a closer geographic fit with Capital.

113. With reference to the South and West Yorkshire region, the parties stated that Real targeted an older demographic than Capital, and Bauer competed with both parties more closely than the parties competed with each other.

114. The parties also provided evidence that [REDACTED].

115. By reference to its lost opportunities survey, Global submitted that, after declining a campaign proposal by Global, Yorkshire, Humberside and Lincolnshire respondents went on to use a range of non-radio alternatives including local press (39 per cent), magazines (20 per cent), search engines (14 per cent), social media (21 per cent) and outdoor advertising (27 per cent). It submitted that 50 per cent turned to other

radio stations, with 8 per cent indicating that they had used radio stations operated by RSL.

116. Global submitted results from its existing customer survey in the Yorkshire, Humberside and Lincolnshire area, which asked respondents what media they would use if the Global or RSL station they had used had not been available. It submitted that 29 per cent of Yorkshire, Humberside and Lincolnshire advertisers indicated that they would choose another radio station (10 per cent referring to a radio station operated by the other merging party) compared with 30 per cent who indicated they would choose non-radio media.
117. The parties' analysis of NMR data for Yorkshire showed that 56 per cent of Global advertisers and 56 per cent of RSL advertisers in FY2009 did not use them again in FY2010 or FY2011. The parties told us that, of these, 39 per cent of Global-leavers and 53 per cent of RSL-leavers used non-radio media. This compares with 52 per cent of Global-leavers and 40 per cent of RSL-leavers who used other radio stations.

Third party views

118. Third parties indicated that the merger represented a significant reduction of choice in the Yorkshire, Humberside and Lincolnshire area. Bauer described the merger as a three to two on a 'conservative' basis but argued that it removed the choice of regional licences. UTV told us that Capital, Classic FM and Real were the only stations broadcasting on a regional basis.
119. Bauer also submitted that the combined entity would account for 55 per cent of listening hours within the Real transmission area and 54 per cent within the Capital transmission area.

120. Bauer told us that the parties' stations targeted a similar demographic and UTV submitted data showing that 57 per cent of Global advertisers in Yorkshire also advertised with RSL during July 2011 to June 2012 (and 37 per cent of RSL advertisers used Global).
121. We were told that alternative options to the parties were limited. Bauer submitted that UTV and Classic were not realistic alternatives as they did not have regional macros focused on Yorkshire. Bauer told us that its own FM stations were used by local advertisers so were not close substitutes for the parties, and their AM stations were not strong competitors. UTV told us that the only alternative for a regional advertiser would be to bundle slots from several local radio stations. However it argued that this would not be possible if they required integrated S&P.

Internal documents

122. RSL's pitch to [REDACTED]. RSL's pitch to [REDACTED].
123. RSL's [REDACTED].
124. In an examination of Real's performance [REDACTED].

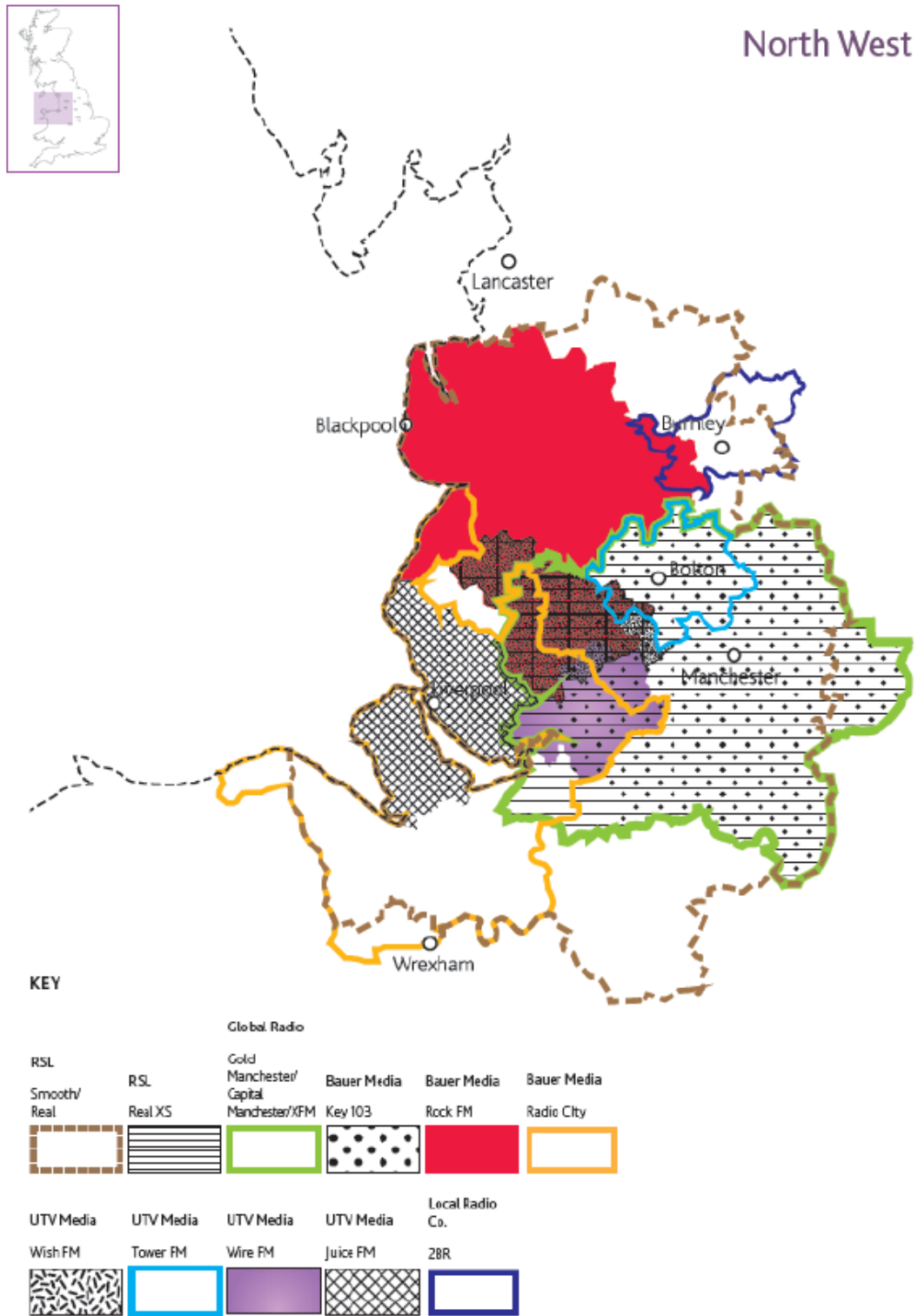
Greater Manchester and the North-West

125. The main parties overlap in two areas in the North-West. RSL has two stations which cover the whole region: Real and Smooth; and a Greater Manchester station: Real XS. Global's Heart North West and Wales station overlaps with Real and Smooth in a relatively small part of the region: around Cheshire and the Wirral. Global also overlaps in Greater Manchester with its Gold, Capital and Xfm stations.

126. Bauer has three FM stations in the region: Key 103, which broadcasts to the Greater Manchester area; Radio City, which broadcasts to Liverpool and parts of North Wales; and Rock FM, which is available in Lancashire. It also has three Magic stations that broadcast on AM: Magic 999 (Preston and Blackpool), Magic 1548 (Merseyside area) and Magic 1152 (Greater Manchester); and City Talk (which broadcasts in Liverpool).
127. UTV has five stations in the region: Wish FM, Tower FM, Wire FM, Juice FM and Radio Wave 96.5. Wish FM broadcasts to Wigan and St Helens; Tower FM to Bolton, Bury and parts of Greater Manchester; Wire FM to Warrington, Widnes and Runcorn; and Juice FM to Liverpool and Radio Wave to Blackpool, Wyre & Fylde.
128. The Local Radio Company operates 2BR (Burnley), and there are a number of independent radio stations: The Revolution (north-east Manchester), The Bee (Blackburn and Preston), Dee 106.3 (Chester), Imagine 104.9 (Stockport and Manchester), Dune FM (Southport), Cheshire's Silk FM 106 (Macclesfield) and Asian Sound Radio (East Lancashire).

FIGURE 6

Map of the main stations in the North-West



Source: Global.

129. Table 13 shows the shares of listeners and revenue for radio stations in the North-West region. The merger parties will have a combined share of local/regional commercial radio listening hours of 51 per cent with an increment of 15 per cent. Post-merger they would have a share of [40–49] per cent of non-contracted revenue and [30–39] per cent of total revenue, with an increment of [10–19] and [10–19] per cent respectively.

TABLE 13 Shares of listening, reach and of non-contracted and total revenue in Greater Manchester and the North-West (local/regional commercial radio)

Station	Total listening hours		Total reach '000s	Revenue from non-contracted sales		Total revenue from all sales	
	'000s	%		£m	%	£m	%
<i>Global</i>							
Capital Manchester	2,787	8	504	[£]	[5–9]	[£]	[5–9]
Xfm Manchester	978	3	190	[£]	[0–4]	[£]	[0–4]
Heart (Wrexham and the Wirral)*	713†	2	104†	[£]*	[0–4]	[£]*	[0–4]
Gold Manchester AM	796	2	110	[£]	[0–4]	[£]	[0–4]
Total	5,274	16	717	[£]	[10–19]	[£]	[10–19]
<i>RSL</i>							
Smooth North West	6,899	21	879	[£]	[10–19]	[£]	[10–19]
Real Radio North West	3,332	10	448	[£]	[10–19]	[£]	[10–19]
Real XS Manchester	1,165	4	142	[£]	[0–4]	[£]	[0–4]
Total	11,397	35	1,289	[£]	[20–29]	[£]	[20–29]
Merger parties	15,959	51	1,875†	[£]	[40–49]	[£]	[30–39]
<i>Bauer</i>							
97.4 Rock FM	1,914	6	270	[£]‡	[5–9]	[£]‡	[5–9]
Radio City 96.7	3,901	12	457	[£]‡	[10–19]	[£]‡	[10–19]
Key 103	3,488	11	504	[£]‡	[10–19]	[£]‡	[10–19]
City Talk 105.9	405	1	71	[£]	[0–4]	[£]	[0–4]
Magic 999 (Preston)	340	1	33				
Magic 1548 (Liverpool)	729	2	95				
Magic 1152 (Manchester)	854	3	88				
Total	11,631	35	1,386	[£]	[30–39]	[£]	[40–49]
<i>UTV</i>							
102.4 Wish FM	241	1	59	[£]	[0–4]	[£]	[0–5]
107.4 Tower FM	378	1	56	[£]	[0–4]	[£]	[0–4]
107.2 Wire FM	264	1	52	[£]	[0–4]	[£]	[0–4]
107.6 Juice FM	1,933	6	215	[£]	[5–9]	[£]	[0–4]
Radio Wave 96.5	554	2	66	[£]	[0–4]	[£]	[0–4]
Total	3,370	10	381	[£]	[10–19]	[£]	[10–19]
The Local Radio Company—2BR	444	1	60	[£]§	[0–4]	[£]¶	[0–4]
96.2 The Revolution	200	1	36	[£]§	[0–4]	[£]¶	[0–4]
107 The Bee	282	1	29	[£]§	[0–4]	[£]¶	[0–4]
Chester's Dee 106.3	256	1	32	[£]§	[0–4]	[£]¶	[0–4]
Imagine	N/A		N/A	[£]§	[0–4]	[£]¶	[0–4]
Dune	N/A		N/A	[£]§	[0–4]	[£]¶	[0–4]
Cheshire's Silk 106	78	0	17	[£]§	[0–4]	[£]¶	[0–4]
Asian Sound Radio	N/A		N/A	[£]§	[0–4]	[£]¶	[0–4]
Total	32,931	100		[£]	100	[£]	100

Source: Listening hours and reach are a RALF II weighted average based on RAJAR surveys for the 12 months ending September 2012. Unless otherwise indicated listening hours and reach for each station are those within that station's TSA; revenue data: Global, RSL, third parties, Ofcom.

*Revenue for period April 2011–March 2012 (Source: Global main submission to the OFT).

†Listening hours and reach for Heart North West and Wales occurring within the Smooth North West TSA. Note that the Heart North West and Wales TSA does not cover the whole of the Smooth North West TSA.

‡Revenue for Rock FM includes revenue for Magic 999. Revenue for Radio City includes revenue of Magic 1548 and revenue for Key 103 includes revenue for Magic 1152.

§Net local advertising, 2011, Ofcom.

¶Total relevant revenue, 2011, Ofcom.

Notes:

1. Global and RSL revenue data for period October 2011–September 2012.

2. Bauer revenue data relates to the 12 months ending December 2011.

3. [£]

4. Unless otherwise stated, stations included in the table are those with at least one-third of their transmission area (by population) overlapping with the parties' stations' transmission area.

5. N/A = Not available.

130. The main competitor, Bauer, has a 35 per cent share of listening hours and its stations reach 1.4 million listeners per week. It has a [30–39] per cent share of non-

contracted advertising revenue and a [40–49] per cent share of total advertising revenue.

131. The demographics for each station are shown in Table 14 below. Real and Smooth both broadcast across the North-West region with the average age of Real listeners being 39 and the average age of Smooth listeners being older at 47 years old. The Bauer FM stations across the region are close to Real in terms of demographic and its Magic AM stations are closer to Smooth.

132. Of the stations broadcasting in Greater Manchester, Real XS and Xfm have a similar demographic profile, with a similar average age of listener and both having a predominantly male audience. Bauer's Key 103 station attracts an audience with similar average age to these stations although it has a higher proportion of female listeners. Bauer Key 103 has closer demographic to Capital which also broadcasts in this area.

TABLE 14 Demographics of radio stations in Greater Manchester and the North-West

Station	Average age	Female reach %	Ofcom licence requirement
<i>RSL</i>			
Smooth North West	47	55	Over 50s
Real Radio North West	39	51	25–54
Real XS Manchester	37	41	35–64
<i>Global</i>			
Capital Manchester	33	57	15–29
Xfm Manchester	34	40	15–34
Heart Wales and North West	39	58	15–77
Gold Manchester AM	51	43	35–54
<i>Bauer</i>			
97.4 Rock FM	37	57	15–44
Radio City 96.7	38	51	15–44
Key 103	36	57	15–44
City Talk 105.9			
Magic 999 (Preston)	53	48	Over 30s
Magic 1158 (Liverpool)	46	55	Over 30s
Magic 1152 (Manchester)	55	55	Over 30s
<i>UTV</i>			
102.4 Wish FM	42	53	25–44
107.4 Tower FM	45	54	
107.2 Wire FM	39	54	25–44
107.6 Juice FM	30	56	
Radio Wave 96.5	43	49	
The Local Radio Company— 2BR	41	54	
The Revolution	43	49	25–54
107 The Bee	40	51	25–54
Chester's Dee 106.3	44	52	Over 25s
Dune	N/A	N/A	
Cheshire's Silk 106	49	49	25–54
Asian Sound Radio	N/A	N/A	

Source: RAJAR average 2011Q4–2012Q3, Ofcom.

N/A = Not available.

133. Global's stations do not cover the whole Real and Smooth transmission area, including not having coverage of Liverpool or significant areas to the north of Greater Manchester. The Bauer stations combined cover a larger proportion of the Smooth and Real transmission area (93 per cent by population).

134. In Manchester itself, Global has the following stations: Capital, Xfm and Gold (AM); and RSL has Real XS. The parties' main competitor is Bauer with its Key 103 FM station and its Magic AM station. UTV has three regional stations which overlap in parts of the Greater Manchester area covered by Capital and Key 103 but these stations are targeted at other towns and do not cover the city of Manchester itself.

Similarly, the independent station, The Revolution, targets Oldham, and Imagine covers the Stockport area.¹⁵

135. Using the revenue and listener numbers in Table 13 for the stations broadcasting to or within Greater Manchester, we estimate that the parties will have a combined share of local/regional commercial listening hours of 51 per cent (with an increment of 12 per cent) and will reach a total of 815,000 listeners per week. Post-merger the parties would have [30–39] per cent of revenue from non-contracted sales and [30–39] per cent of total revenue, with an increment of [5–9] per cent and [0–4] per cent respectively.
136. The main competitor, Bauer, has a 39 per cent share of listening hours in Greater Manchester and reaches 563,000 listeners a week. It has a [30–39] per cent share of non-contracted advertising revenue and [40–49] per cent of total advertising revenue.
137. The UTV stations cover 40 per cent of the Real XS transmission area in terms of population. They have an 8 per cent share of listening hours, [20–29] per cent share of non-contracted advertising revenue and [10–19] per cent share of total advertising revenue.

Parties' views

138. Global told us that Bauer was the biggest player in the North-West and the merger would be rivalry-enhancing [✂]. Bauer was a closer competitor to each party in Greater Manchester and regionally via its set of stations. Global also submitted that UTV had a significant presence.

¹⁵ Asian Sound also broadcasts to Manchester but covers a wider broadcast area across East Lancashire and is therefore not included in the calculation of share of advertising revenue in paragraph 140.

139. Global said that the parties were not close competitors because they had different geographical targets. It said that RSL stations were regional and a bundle of Global stations was not a suitable alternative for them in the North-West as a whole, since they did not cover Liverpool, Lancashire, Blackpool or Burnley. [✂]
140. It told us that when looking at Greater Manchester, Real and Smooth listening shares should not be included as it was not possible to split their transmission geographically, and hence they were not cost-effective alternatives for advertisers looking to target Greater Manchester. Similarly, it said that for advertisers wishing to target Chester and Wrexham or the Wirral only, Real and Smooth were not realistic alternatives given the wastage involved.
141. By reference to its lost opportunities survey, Global submitted that, after declining a campaign proposal by Global, North-West respondents went on to use a range of non-radio alternatives including local press (43 per cent) , magazines (27 per cent), search engines (20 per cent), social media (22 per cent) and outdoor advertising (32 per cent). It submitted that 32 per cent turned to other radio stations, with 12 per cent indicating that they had used radio stations operated by RSL.
142. Global submitted results from its existing customer survey in the North-West, which asked respondents what media they would use if the Global or RSL station they had used had not been available. It submitted that 21 per cent of North-West advertisers indicated that they would choose another radio station (3 per cent noting a radio station operated by the other merging party) compared with 28 per cent that indicated they would choose non-radio media.
143. The parties' analysis of NMR data for the North-West showed that 44 per cent of Global advertisers and 60 per cent of RSL advertisers in FY2009 did not use them

again in FY2010 or FY2011. The parties told us that, of these, 31 per cent of Global-leavers and 49 per cent of RSL-leavers used non-radio media. This compared with 44 per cent of Global-leavers and 44 per cent of RSL-leavers who used other radio stations.

Third party views

144. UTV said that the merger represented a reduction from two to one in terms of regional licences in the North-West in so far that, pre-merger, regional advertisers could advertise on Classic FM or Real/Smooth. Bauer stated that Capital and Real were close competitors as were Smooth and Gold (the latter for older listeners). It submitted that the combined entity would have a 55 per cent market share in terms of listening hours in the Smooth North-West TSA.
145. UTV said that it was possible for advertisers to use Bauer stations to reach the North-West region if they were willing to bundle (since Bauer's coverage was local but together its stations covered almost all of the region). However, bundling was not an option for those running a sponsorship campaign. [REDACTED]
146. With respect to the Greater Manchester region, Bauer told us that the merger would reduce the options available to local advertisers from three to two. It also submitted that Xfm and Real XS were close competitors (mainly for male listeners) and the combined entity would have a 70 per cent market share of listening hours in RSL's Real XS Manchester TSA. [A competitor] told us that the merger parties would have a market share in terms of listening hours of substantially above 50 per cent in Greater Manchester, with an increment of 25 per cent.
147. Third parties also raised concerns at the number of FM licences that the combined entity would have in Greater Manchester. Bauer explained that they would have three

out of four Greater Manchester FM licences whereas UTV stated that the merger parties would have six out of seven FM licences covering the Greater Manchester area.¹⁶ Bauer said that, of other competitors, UTV and Classic FM did not have regional macros focused on Greater Manchester and so were not realistic alternatives for advertisers targeting it.

Internal documents

148. An RSL planning document [X].

North-East

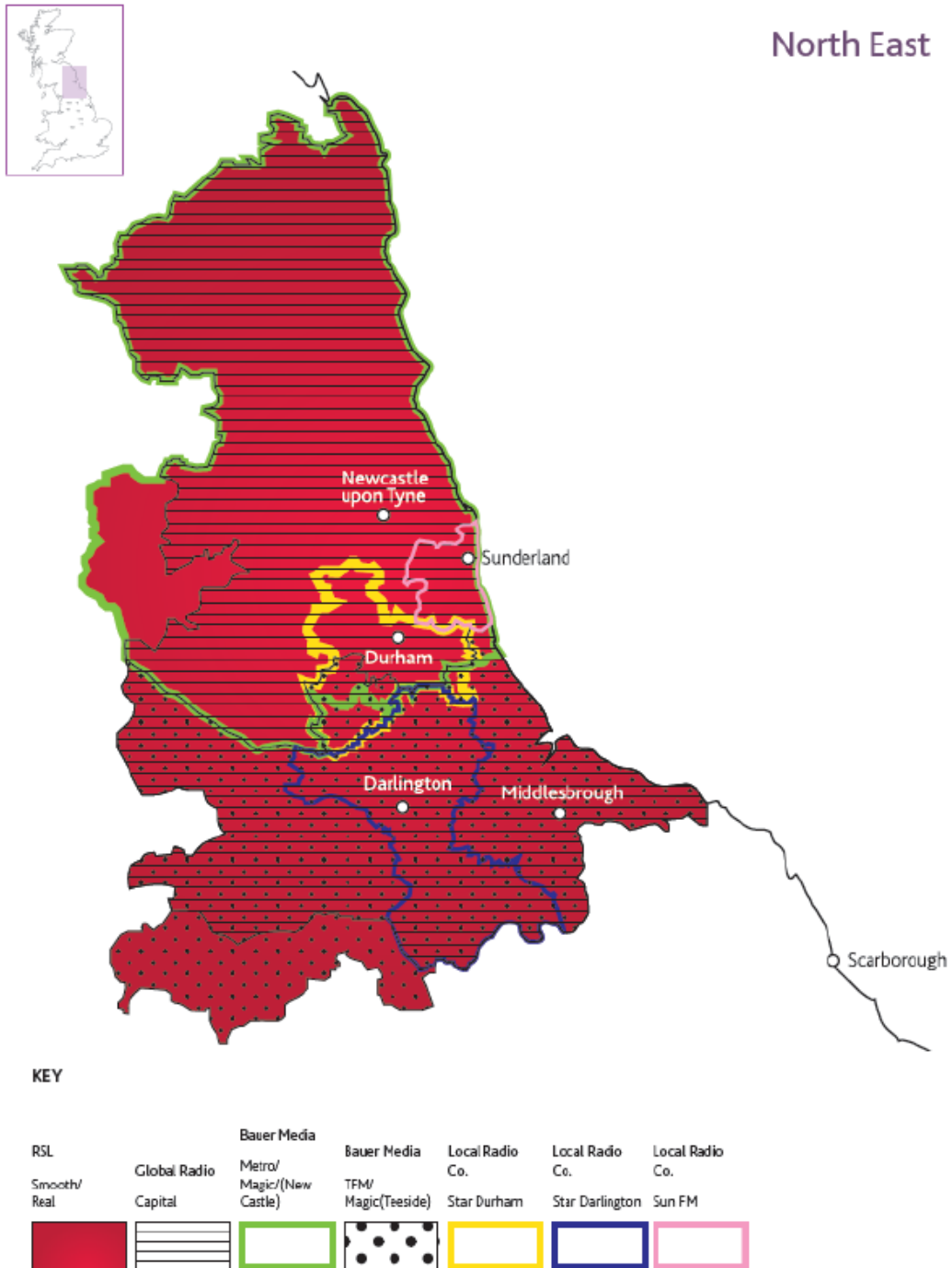
149. The parties overlap in broadly the same area in the North-East. Global's Capital North East covers the whole region and offers advertising on two transmitters: Tyne and Wear; and Teesside. RSL has two stations which broadcast across the region, Smooth and Real, and both split their advertising on two transmitters to the north and south of the region in a similar way as Capital North East.

150. The main competitor across the region is Bauer, which has two FM and two AM stations in the north and south of the region: Metro FM and Magic Newcastle (AM) around Newcastle; and TFM and Magic Teesside (AM) around Middlesbrough. There are also three stations owned by The Local Radio Company which broadcast to parts of the region: Star Durham, Star Darlington and Sun FM in Sunderland.

¹⁶ The difference is due to UTV including in its total the parties' stations that broadcast over a wider region than just Greater Manchester.

FIGURE 7

Map of the main stations in the North-East



Source: Global.

151. Table 15 below shows the share of listening and revenues for radio stations in the North-East. The merger parties have a combined share of local/regional commercial listening hours of 56 per cent, with an increment of 24 per cent and post-merger they

would have [50–59] per cent of revenue from non-contracted sales and [50–59] per cent of total revenue with an increment of [20–29] per cent and [20–29] per cent respectively.

TABLE 15 **Shares of listening, reach, non-contracted and total revenue of stations in the North-East (local/regional commercial radio)**

Station	Total listening hours		Total reach '000s	Revenue from non-contracted sales		Total revenue from all sales	
	'000s	%		£m	%	£m	%
<i>Global</i>							
Capital	3,817	24	505	[£]	[20–29]	[£]	[20–29]
<i>RSL</i>							
Smooth	3,233	20	409	[£]	[10–19]	[£]	[10–19]
Real	1,907	12	281	[£]	[10–19]	[£]	[10–19]
Total	5,140	32	613	[£]	[30–39]	[£]	[20–29]
Merger parties	8,957	56	9943	[£]	[50–59]	[£]	[50–59]
<i>Bauer</i>							
Metro	2,517	16	380	[£]*	[10–19]*	[£]*	[20–29]*
Magic Newcastle	1,445	9	166				
TFM	1,217	8	182	[£]*	[10–19]*	[£]*	[10–19]*
Magic Teesside	991	6	97				
Total	6,170	39	739	[£]	[30–39]	[£]	[40–49]
<i>Local radio</i>							
Star NE—South	237	1	26	[£]†	[0–4]	[£]‡	[0–4]
Sun FM	504	3	57	[£]†	[5–9]	[£]‡	[0–4]
Star NE—North	139	1	21	[£]†	[0–4]	[£]‡	[0–4]
Total	879	5	105	[£]	[10–19]	[£]	[5–9]
Total	16,007	100		[£]	100	[£]	100

Source: Listening hours and reach are a RALF II weighted average based on RAJAR surveys for the 12 months ending September 2012. Unless otherwise indicated listening hours and reach for each station are those within that station's TSA; revenue data: Global, RSL, third parties, Ofcom.

*Revenues for Metro include Magic Teesside and revenues for TFM include Magic Newcastle.

†Net local advertising, 2011, Ofcom (definition in Annex 1).

‡Total relevant revenue, 2011, Ofcom (definition in Annex 1).

Notes:

1. Global and RSL revenue data for period October 2011–September 2012.

2. Bauer revenue data relates to the 12 months ending December 2011

3. Unless otherwise stated, stations included in the table are those with at least one-third of their transmission area (by population) overlapping with the parties' stations' transmission area.

152. The parties' main competitor, Bauer, would have a share of listening hours of 39 per cent and in total reaches 739,000 listeners a week across its AM and FM stations. It has a share of [30–39] per cent of non-contracted advertising revenue and [40–49] per cent of total advertising revenue.

153. Table 16 below shows the demographics of the parties' and competitors' stations in the North-East. At 31 years, Capital's average listener is significantly younger than

that of RSL's or Bauer's stations. In terms of average age, the demographic of Bauer's FM stations lies between that of Global and RSL, being closest to Real.

TABLE 16 Demographics of radio stations in the North-East

Station	Average age	Female reach %	Ofcom licence requirement
<i>Global</i> Capital	31	58	15–29
<i>RSL</i> Smooth	47	54	50+
Real	41	50	25–54
<i>Bauer</i> Metro	39	53	15–44
TFM	37	55	15–44
Magic Teesside	48	60	Over 30s
Magic Newcastle	47	61	Over 30s
Star NE—South	44	53	25–54
Sun FM	45	57	
Star NE—North	40	50	25–54

Source: RAJAR average 2011Q4–2012Q3.

The parties' views

154. Global stated that the parties' core stations were not close competitors. They targeted different audiences, with Capital targeting a younger audience to Real and Smooth. It submitted that Bauer's Metro/TFM stations were closer competitors to the parties than they were to each other.
155. Global argued that Bauer would have a similar market share to the combined entity and the effect would be rivalry-enhancing.
156. Global said that [REDACTED].
157. By reference to its lost opportunities survey, Global submitted that, after declining a campaign proposal by Global, North-East respondents went on to use a range of non-radio alternatives including local press (47 per cent) , magazines (34 per cent), search engines (23 per cent), social media (26 per cent) and outdoor advertising

(39 per cent). It submitted that 40 per cent turned to other radio stations, with 14 per cent indicating that they had used radio stations operated by RSL.

158. Global submitted results from its existing customer survey in the North-East, which asked respondents what media they would use if the Global or RSL station they had used had not been available. It submitted that 19 per cent of North-East advertisers indicated that they would choose another radio station compared with 36 per cent that indicated they would choose non-radio media.
159. The parties' analysis of NMR data for the North-East showed that 44 per cent of Global advertisers and 50 per cent of RSL advertisers in FY2009 did not use them again in FY2010 or FY2011. The parties told us that, of these, 43 per cent of Global-leavers and 56 per cent of RSL-leavers used non-radio media. This compared with 37 per cent of Global-leavers and 40 per cent of RSL-leavers who used other radio stations.

Third party views

160. Bauer and UTV stated that the merger represented a reduction of choice from two to one in the North-East in terms of owners of regional licences. Bauer said that its own stations were a limited competitive alternative.
161. Bauer told us that, in total, the parties would account for 57 per cent of commercial listening hours based on either the Real TSA or the Capital TSA. [A competitor] told us that Newcastle was an area of concern. It said that Capital was the number one station in the area and Real was a close competitor. It said that both stations appealed to similar demographics and had similar output. UTV submitted Nielsen data showing that 55 per cent of Global advertisers in the North-East also used RSL

in the period July 2011 to June 2012 (and 30 per cent of RSL advertisers used Global).

162. UTV said that there was no effective competition at a regional level. UTV said that advertisers could bundle local stations and this happened to an extent, but might be unpopular with certain advertisers. It said that some advertisers would need to combine Bauer and FRS stations, [REDACTED].
163. Bauer said that Classic FM and UTV were not credible options for advertisers as their advertising area did not correspond to the North-East. It said that Magic's AM stations were not a good substitute for the region's FM stations.

Internal documents

164. An RSL internal document [REDACTED].
165. An RSL strategy pack [REDACTED].

Central Scotland

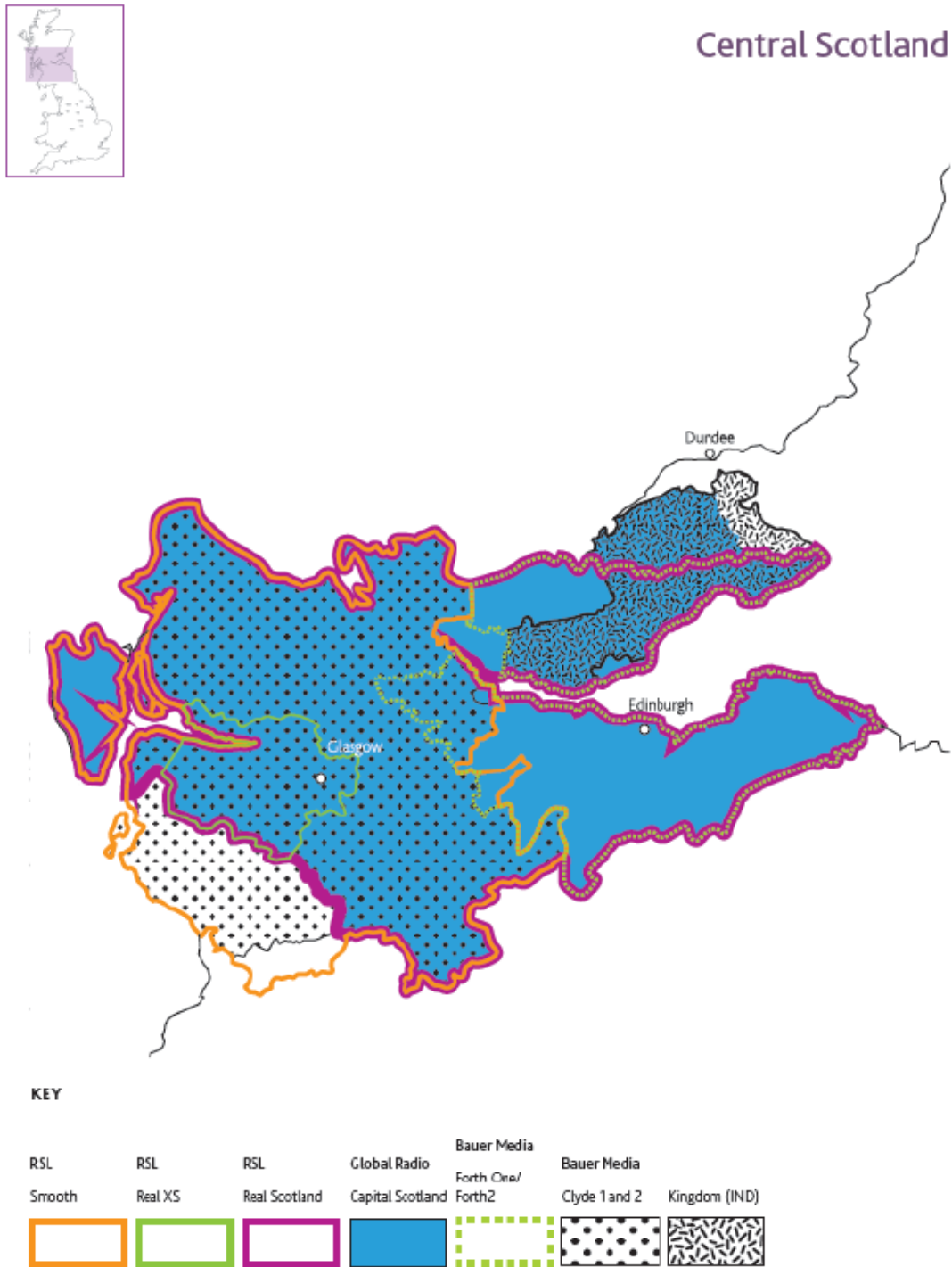
166. Global has one station in Central Scotland: Capital, which broadcasts across Edinburgh, Glasgow and their surrounding areas. It sells advertising on a split transmission basis for advertisers wishing to target Edinburgh or Glasgow only. RSL has three stations: Real, Real XS and Smooth. Real broadcasts to broadly the same area as Capital and although it can technically sell on separate transmitters it does not do so.¹⁷ Smooth broadcasts to Glasgow and the surrounding area and Real XS broadcasts to Paisley and includes Glasgow city centre.

¹⁷ RSL told us that it did previously offer split transmission but stopped, [REDACTED].

167. The main competitor in the region is Bauer which has four stations: Clyde 1, Clyde 2, Forth One and Forth 2. Clyde 1 and Clyde 2 broadcast to Glasgow and the West Central Scotland area. Forth One and Forth 2 are available in Edinburgh and the surrounding region. Together these stations cover a similar transmission area to Real and Capital. Independent stations include: Kingdom FM which broadcasts to Fife, Central FM broadcasting to Falkirk and Stirling and Your Radio available in Dumbarton and Helensburgh.

FIGURE 8

Map of the main stations in Central Scotland



Source: Global.

168. RSL has a 37 per cent share of local/regional commercial radio listening hours in the Central Scotland area (see Table 17). Global has a 15 per cent share. Together the

RSL stations reach 805,000 listeners each week and Capital reaches 484,000 listeners. Post-merger the parties would have a combined share of revenue from non-contracted sales of [50–59] per cent and a combined share of revenue from all advertising sales of [40–49] per cent, with an increment of [10–19] per cent in each case.

TABLE 17 Shares of listening, reach, non-contracted and total revenue of station in Central Scotland (local/regional commercial radio)

Station	Total listening hours		Total reach '000s	Revenue from non-contracted sales		Total revenue from all sales	
	'000s	%		£m	%	£m	%
<i>Global</i>							
Capital Scotland	3,188	15	484	[£]	[10–19]	[£]	[10–19]
<i>RSL</i>							
Smooth Radio Glasgow	2,288	10	276	[£]	[10–19]	[£]	[5–9]
Real Radio Scotland	5,505	25	595	[£]	[30–39]	[£]	[20–29]
96.3 Real XS Glasgow	340	2	66	[£]	[0–4]	[£]	[0–4]
Total	8,133	37	805	[£]	[40–49]	[£]	[30–39]
Merger parties	11,321	52	1,062	[£]	[50–59]	[£]	[40–49]
<i>Bauer</i>							
Clyde 1 FM	4,207	19	538	[£]*	[10–19]	[£]*	[30–39]
Clyde 2 (AM)	1,486	7	207				
Forth One	3,260	15	355	[£]†	[10–19]	[£]†	[10–19]
Forth 2 (AM)	577	3	74				
Total	9,530	44	1,013	[£]	[30–39]	[£]	[40–49]
Central FM	298	1	53	[£]‡	[0–4]	[£]§	[0–4]
Kingdom FM	716	3	83	[£]‡	[5–9]	[£]§	[0–4]
Your Radio	N/A	N/A	N/A	[£]‡	[0–4]	[£]§	[0–4]
Total	21,865	100		[£]	100	[£]	100

Source: Listening hours and reach are a RALF II weighted average based on RAJAR surveys for the 12 months ending September 2012. Unless otherwise indicated listening hours and reach for each station are those within that station's TSA; revenue data: Global, RSL, third parties, Ofcom.

*Includes revenue for Clyde 2 (AM).

†Includes revenue for Forth 2 (AM).

‡Net local advertising, 2011, Ofcom (definition in Annex 1).

§Total relevant revenue, 2011, Ofcom (definition in Annex 1).

N/A = Not available.

169. The parties' main competitor is Bauer, which has 44 per cent of local/regional commercial listening hours, and reaches over a million listeners each week. It has a share of [30–39] per cent of revenue from non-contracted sales and a [40–49] per cent of total revenue.

170. Table 18 below shows the demographics of the stations broadcasting in Central Scotland. Real and the Bauer FM stations have a similar average age of listeners

(around 40 years old) whereas Capital reaches a younger age group on average, with an average listener age of 33 years.

TABLE 18 Demographics of radio stations in Central Scotland

Station	Average age	Female reach %	Ofcom licence requirement
<i>RSL</i>			
Smooth Radio Glasgow	49	55	50+
Real Radio Scotland	40	50	25–54
96.3 Real XS Glasgow	39	38	
<i>Global</i>			
Capital Scotland	33	60	15–29
<i>Bauer</i>			
Clyde 1 FM	40	46	Under 40s
Clyde 2 (AM)	50	46	Over 35s
Forth One	41	58	Over 40s
Forth 2 (AM)	50	51	Under 35s
Central FM	42	61	
Kingdom FM	45	58	
Your Radio	N/A	N/A	25–64

Source: RAJAR average 2011Q4–2012Q3.

N/A = Not available.

171. For an advertiser wishing to target the Glasgow and the surrounding area, Global has one station, Capital, which transmits across Central Scotland but has a split transmission to the region. It achieves around 2.1 million listening hours each week in the region.¹⁸ £[redacted] of non contracted revenue and £[redacted] of total revenue is attributed to the Glasgow transmitter.¹⁹ An advertiser could also use RSL which has two stations, Real XS and Smooth. The parties told us that RSL did not allow Real advertisers the option to target just the Glasgow region. The main alternative in this region is Bauer, which has Clyde 1 and Clyde 2 (AM).

172. Of the options available to advertisers wanting to target Glasgow and the surrounding area, we estimate that RSL has a 25 per cent share of listening hours per week and that Global has a 20 per cent share of listening hours. The merged entity will have an

¹⁸ ie within the Smooth transmission area.

¹⁹ This may include revenues derived from campaigns covering a wider region.

estimated share of non-contracted revenue of [50–59] per cent and [30–39] per cent of total revenue. The remaining main competitor, Bauer, has a [50–59] per cent share of listening hours and reaches 635,000 listeners a week. It will have an estimated share of non-contracted revenue of [40–49] per cent and [60–69] per cent of total revenues.

173. We consider that a proportion of both Capital's and Clyde 1's revenue may be derived from regional campaigns across Central Scotland (in conjunction with Forth One) opposed to targeting Glasgow and the surrounding area.

The parties' views

174. Global told us that the parties' core stations were not close competitors. It stated that they targeted different audiences, with Capital targeting a younger audience to Real and Smooth. Real XS attracted a higher proportion of male listeners compared with Capital. Global submitted that Bauer's FM stations were closer competitors to the parties than they were to each other. They also told us that the RSL stations, Real, Real XS and Smooth, were not alternatives for some advertisers on Capital due to their different transmission areas.

175. Global told us that Real and Capital were not close competitors for regional customers. For instance, while Real had two transmitters, it did not offer them individually. Therefore advertisers using Real were likely to be regional advertisers rather than those targeting Glasgow only. Conversely, Capital did allow advertisers to target the east or the west of its transmission area. A large proportion of Capital customers were local and [REDACTED].

176. [REDACTED]

177. Global told us that Bauer would continue to be the leading radio player in Central Scotland and estimated that it had a higher share of non-contracted revenues. It submitted that the merger would be rivalry-enhancing and that [✂].
178. By reference to its lost opportunities survey, Global submitted that, after declining a campaign proposal by Global, Central Scotland respondents went on to use a range of non-radio alternatives including local press (35 per cent) , magazines (22 per cent), search engines (13 per cent), social media (13 per cent) and outdoor advertising (30 per cent). It submitted that 52 per cent turned to other radio stations, with 13 per cent indicating that they had used radio stations operated by RSL.
179. Global submitted results from its existing customer survey in Central Scotland and Glasgow, which asked respondents what media they would use if the Global or RSL station they had used had not been available. It submitted that 21 per cent of Central Scotland and Glasgow advertisers indicated that they would choose another radio station (3 per cent noting a radio station operated by the other merging party) compared with 30 per cent that indicated they would choose non-radio media.
180. The parties' analysis of NMR data for Central Scotland and Glasgow showed that 50 per cent of Global advertisers and 54 per cent of RSL advertisers in FY2009 did not use them again in FY2010 or FY2011. The parties told us that, of these, 48 per cent of Global-leavers and 45 per cent of RSL-leavers used non-radio media. This compared with 39 per cent of Global-leavers and 26 per cent of RSL-leavers who used other radio stations.

Third party views

181. Bauer and UTV stated that the merger represented a reduction in choice from three to two in terms of options for advertisers across Central Scotland. However, both also

told the CC that the merger represented a two to one reduction in terms of regional stations. UTV indicated that regional stations were important for S&P.

182. Bauer and [another competitor] submitted data showing that the parties would have a share of listening hours of 50 to 61 per cent in the Glasgow region and Central Scotland. UTV stated that the combined entity would have five out of six FM licences covering Glasgow.
183. Bauer submitted that the parties' stations had a similar reach and both broadcast contemporary music and, as such, they were close competitors.
184. Third parties indicated that remaining options for advertisers were limited. UTV told us that the only viable alternative for advertisers wishing to reach a regional audience was to bundle together Bauer's local radio stations, but that this would not be suitable for S&P. Bauer stated that Classic and talkSPORT covered all of Scotland so would not be effective advertising options for Central Scotland. It also stated that, in Glasgow, Clyde 1 was the relevant remaining FM competitor. Clyde 2 was an AM station and not a close competitor to FM stations.

Internal documents

185. A review of internal documents highlighted [REDACTED].

Definitions

Listening hours

1. Listening hours refers to the total number of hours that a station is listened to over the course of a week.

Reach

2. Reach is defined as the number of people aged 15+ who tune to a radio station for at least 5 minutes over the course of a week. Percentage reach is calculated as the number of listeners that a station reached as a proportion of the total population of a specified TSA.

Revenue (non-contracted and contracted and S&P)

3. Unless otherwise indicated, revenue data on Global and RSL stations relates to the most recent 12-month period for which data was available (generally October 2011 to September 2012). Some data on individual transmitters was only available for the period April 2011 to March 2012.
4. Revenue data on third party radio stations was sourced directly from third parties. Where appropriate revenue data was not available from third parties, we have used the following annual return data provided to Ofcom and relating to the 2011 calendar year:
 - (a) Non-contracted revenue has been approximated to 'net local advertising' revenue. This is defined by Ofcom as: advertising revenue generated by a station's own sales department, and includes the value of barter and contra deals. It is generally calculated as the value of advertising revenue generated by agencies outside London. It excludes commission paid to the advertising agency.

(b) Total revenue (ie the sum of non-contracted, contracted and S&P revenues) has been approximated to 'total relevant revenue'. This, in principle, includes all revenue derived by the holder of a radio broadcasting licence.

Headline results from the parties' surveys and Global NMR analysis

Lost opportunities survey main results

TABLE 1 Headline results from YouGov lost opportunities survey by region—other media used instead of Global's stations by advertisers

	<i>Press</i>	<i>Outdoor</i>	<i>Search engines</i>	<i>Social media</i>	<i>Magazines</i>	<i>per cent</i>		<i>Number of respondents</i>
						<i>Other radio Total</i>	<i>RSL</i>	
London	39	31	38	36	29	26	6	72
East Midlands	46	31	27	31	28	29	10	105
West Midlands	42	30	22	28	29	32	10	79
North-East	47	39	23	26	34	40	14	96
South Wales	46	27	34	36	26	26	18	85
North Wales	75	45	22	51	33	18	14	51
North West	43	32	20	22	27	32	12	82
Yorkshire	39	27	14	21	20	50	8	105
Scotland	35	30	13	13	22	52	13	23
Total	45	32	24	30	28	34	12	698

Source: Global analysis of YouGov lost opportunities survey.

Existing customer survey main results

TABLE 2 **Headline results from YouGov existing customer survey by region—Next best alternatives if parties' stations had not been available at the time when they were planning their last campaign**

	<i>I wouldn't have spent the money (ie reduce campaign spend)</i>	<i>Use other non-radio media</i>					<i>Use other radio</i>					<i>per cent</i>	
		<i>Total</i>	<i>Press</i>	<i>Posters and outdoor</i>	<i>Other specified media*</i>	<i>Other (specified by respondent)</i>	<i>Total</i>	<i>Owned by current provider†</i>	<i>Owned by other merging party</i>	<i>Owned by third party</i>	<i>Don't know which radio station</i>	<i>Don't know what I would have done/which media I would have chosen</i>	<i>Number of respondents</i>
London	27	35	8	7	16	4	19	1	0	13	5	19	37
East Midlands	29	35	6	11	8	9	15	0	6	6	3	22	55
West Midlands	36	23	11	2	7	3	19	1	3	10	5	22	50
North-East	34	36	12	4	13	7	19	0	5	12	2	12	64
North Wales	42	29	14	3	7	5	11	0	6	0	6	18	90
South Wales	33	34	12	3	16	3	18	1	8	6	3	15	93
North-West	40	28	5	2	12	9	21	2	3	11	4	12	56
Yorkshire	24	30	5	8	16	1	29	1	10	16	3	16	46
Scotland	32	30	8	6	14	2	21	0	3	16	2	17	57
Total	34	31	10	5	12	5	18	1	5	9	4	17	548

Source: Global analysis of YouGov existing customer survey.

*Other specified media includes cinema, coupon sites, direct mail, directories, magazines, search engines, social media, trade sites and television.

†Note that a small proportion of respondents indicated that they would switch to another radio station operated by the party that they had purchased from.

NMR data

TABLE 3 Analysis of media usage of advertisers leaving Global by region (non-contracted): FY 2009–2011

	<i>per cent</i>				
	<i>Advertisers leaving Global*</i>	<i>Leavers that use RSL†</i>	<i>Leavers that use non-RSL radio</i>	<i>Leavers that use RSL or non-RSL radio</i>	<i>Leavers that use local press</i>
All areas average	52	18	33		36
London	57	7	27	31	35
East Midlands	52	13	19	25	47
West Midlands	51	14	41	42	46
South Wales‡	47	25	21	32	32
Yorkshire	56	22	48	52	31
North-East	44	21	32	37	32
North-West	56	20	39	44	24
Central Scotland	50	20	37	39	44

Source: Global analysis of NMR data. Press titles are defined in accordance with NMR regional splits rather than on the basis of the regional TSA areas defined within the parties' OFT submission. Results for local press are reported here, however, a large proportion of advertisers also use other media alternatives.

*Percentage of leavers defined as the percentage of advertisers that advertised on the relevant parties' stations in FY 2009 and that did not do so in FY 2010 or 2011.

†The parties identify a leaver as using RSL if they have a non-zero spend on its stations in any of the three years covered by the data.

‡NMR data for RSL's Real station is only available on an 'All Wales' basis (ie including North Wales and South Wales). The information provided here is the proportion of advertisers using Real in North or South Wales that use Global stations in South Wales. For Global it is the proportion of advertisers using Capital or Gold South Wales that use Real in North or South Wales. A large number of third party stations are not reported in South Wales. The number of leavers that actually use third party stations in South Wales can be expected to be significantly higher than this number. North Wales not included as Real only entered the market in 2011. 'All area average' calculated as the simple average of areas presented in the table.

TABLE 4 Analysis of media usage of advertisers leaving RSL by region (non-contracted): FY 2009–2011

	<i>per cent</i>				
	<i>Advertisers leaving RSL</i>	<i>Leavers that use RSL</i>	<i>Leavers that use non-RSL radio</i>	<i>Leavers that use RSL or non-RSL radio</i>	<i>Leavers that use local press</i>
All areas average	54	18	33		46
London	62	28	28	38	43
East Midlands	50	34	26	42	59
West Midlands	55	25	36	40	54
South Wales	45	28	30	42	43
Yorkshire	56	6	39	40	41
North-East	50	10	37	40	48
North-West	60	8	42	44	42
Central Scotland	54	4	26	26	41

Source: Global analysis of NMR data. See previous table for methodological discussion.

Agency pricing

Introduction

1. This appendix explores the evidence on whether agencies that contract with both Global and RSL under the Agreement achieve worse prices than those that contract separately with the two parties.

2. Table 1 shows Global's and RSL's main contracts and the target amount of business [REDACTED]. It shows that, as of June 2012, there were [REDACTED].

TABLE 1 **Global and RSL contract terms**

<i>Contract with</i>	<i>Customer</i>	<i>Note</i>	<i>Target (value/share)</i>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Global, RSL.

[REDACTED]

3. The CPTs listed in the contracts are as given in Table 2.

TABLE 2 **Base prices negotiated for the national Heart and Real networks**

[REDACTED]

Source: Global, RSL.

*Heart Network price of £[REDACTED] and Real Network price of £[REDACTED] related to [REDACTED] prices are £[REDACTED] for Heart Network and £[REDACTED] for Real Network.

†[REDACTED]

N/A = Contract does not include prices for these stations.

4. [REDACTED]

5. Table 2 shows that the largest media buying groups had negotiated [REDACTED] with Global that were [REDACTED].

6. We acknowledge that differences between other terms included in the contracts will influence the eventual prices paid by agencies. [REDACTED]

7. Therefore, in our consideration of prices achieved by non-London agencies and [REDACTED], we take account of agency spend when comparing prices for these agencies with those of agencies covered by the agreement between the parties.

8. [REDACTED]

FIGURE 1

Comparison of weighted average CPTs—Real South Wales

[REDACTED]

Source: [REDACTED]

Note: [REDACTED]

FIGURE 2

Comparison of weighted average CPTs—Real and Smooth North West

[REDACTED]

Source: [REDACTED]

Note: [REDACTED]

9. We expanded this analysis by looking at the weighted average CPTs for each of the radio stations owned by Global and RSL. We found that at only one radio station¹ ([REDACTED]) were average CPTs for non-London agencies and [REDACTED]. However, for a number of radio stations [REDACTED].²

10. Similar results are also found for the years 2009 and 2010.

11. The combined airtime revenue from contracted agencies not covered by the Agreement between the parties accounted for between [REDACTED] and [REDACTED]³ per cent (weighted average [REDACTED] per cent) of airtime revenue at RSL stations in 2011 and between [REDACTED] per cent (weighted average [REDACTED] per cent) of airtime revenue at Global stations.

¹ Out of the 64 analysed.

² [REDACTED]

³ [REDACTED]

12. Revenue from agencies outside the Agreement accounted for more than [X] per cent of total airtime revenue for [X] of Global's stations and [X] of RSL's. These [X] stations are listed below, with the percentage share/revenue from outside the Agreement given in brackets.

Global: [X]

RSL: [X]

13. No clear pattern could be seen comparing the percentage share of revenue that is accounted for by agencies outside the Global/RSL Agreement and the average CPT for stations.

14. The evidence on agency pricing suggests that those agencies that contract separately with Global and RSL [X].

15. In our analysis we have already taken into account the different amounts spent by different agencies at each station. We find that, in general, regional agencies are relatively small spenders at each station. Checking whether other characteristics of agencies within and outside the Global/RSL Agreement are similar, we find that there is no clear difference between these agencies based on the average size of their clients taking into account the agency's size; that is the radio spend of clients represented by regional agencies is similar to those of national agencies of comparable size.

Buy-around analysis

Bauer's buy-around analysis

1. Bauer¹ analysed the alternatives that would have been available to radio planners if Global or both Global and RSL stations were excluded from 20 national advertising campaigns, carried out by the largest national advertisers in the first half of 2012. It analysed whether it would be possible to achieve the same reach over a campaign with Global/RSL stations excluded and estimated the cost, cost-efficiency factor (CEF)² and opportunity to hear (OTH)³ of the alternative campaigns.
2. Under the methodology employed, Bauer found that [REDACTED].
3. [REDACTED]^{4,5}
4. [REDACTED]^{6,7}
5. We asked Bauer to supplement its work with a similar analysis showing the effect of excluding just RSL stations from these campaigns. This was so that there was a full picture showing the effects of excluding (a) just Global, (b) just RSL stations and (c) both Global and RSL stations.
6. [REDACTED]

¹ Bauer and Bauer's representatives are both referred to as 'Bauer' in this appendix.

² [REDACTED]
³ [REDACTED]
⁴ [REDACTED]
⁵ [REDACTED]
⁶ [REDACTED]
⁷ [REDACTED]

Global's comments on Bauer's buy-around analysis

7. We put Bauer's analysis to Global for comment. Global made the following points in relation to the buy-around analysis conducted by Bauer:⁸ [REDACTED]⁹

Further analysis

8. We did not consider it necessary to put the supplementary work relating to buying around RSL back to RSL for comment as this was not significant to Bauer's conclusions. However, we sought to check the Bauer analysis against the data we had available on RSL campaigns.

9. [REDACTED]¹⁰

Comments on the analysis

10. Bauer's analysis makes a number of assumptions about how advertisers would seek to buy around Global and RSL stations. There is no analysis of the sensitivity of the results to variations in these assumptions.
11. In its decision on Global's merger with GCap, the OFT commented that a buy-around analysis showed what customers could do in the event of a price increase, but that this was not necessarily representative of what they would actually do.¹¹
12. Other points of relevance to the buy-around analysis are:
 - (a) Agencies negotiate airtime prices on an annual (or slightly longer) basis on behalf of all their clients. This is because it increases the agencies' ability to put pressure on Global and their bargaining power. In some cases agencies negotiate individual prices for individual advertisers, usually the largest ones.

⁸ Global and Global's representatives are both referred to as 'Global' in this appendix.

⁹ [REDACTED]

¹⁰ [REDACTED]

¹¹ OFT (2008) 'Completed acquisition by Global Radio UK Limited of GCap Media plc', ME/3638/08.

- (b) Global already negotiates prices with national advertisers on behalf of RSL.
- (c) It is limited in that it does not take into account non-radio alternatives. There may be some circumstances for some advertisers where non-radio alternatives are a better substitute, especially if CEF and OTH increase significantly when advertising moves to other radio stations.

13. In relation to paragraph 7, we considered whether the 'one campaign assumption' was likely to have led to a significant overstatement of initial reach on the radio stations subsequently modelled as alternatives to Global stations. We thought this unlikely since some of the main alternative radio stations were Bauer stations on which Bauer has accurate information. Furthermore, since Global is the largest radio group, individual advertisers are likely to book campaigns with Global more frequently than with other radio groups. Therefore, the reach estimates for Global are likely to be the most affected by the factors that caused Bauer's analysis to overstate reach. Overall, therefore, we consider that the overstatement of reach suggested in Global's response is an additional factor which makes it difficult to place weight on the results of Bauer's analysis. (However, we summarize below results for the campaigns where Global's estimates suggest that Bauer overstated reach by less than 50 per cent).
14. Advertising on RSL stations delivers impacts that may be substitutes for impacts on Global stations. We note that most RSL stations overlap to some extent in location and demographics with one or more Global station. Furthermore, in the context of a national campaign, advertisers may regard impacts in one location at the margin as a substitute for impacts in a different location.

15. Table 1 shows a summary of the campaigns where Global’s response suggests estimated reach either understated reach or did not overstate actual reach by more than 50 per cent. There were eight such campaigns.¹²

TABLE 1 Advertising campaigns analysed in Bauer’s buy around analysis

Client/brand	Target audience	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Bauer buy-around results; Global analysis of actual reach; CC descriptions.

Note: Changes in reach and cost are expressed relative to Scenario A.

16. We note that Table 1 illustrates that it is generally more difficult to buy around both Global and RSL stations than it is to buy around just Global or just RSL stations, and thus that Global and RSL stations can to some extent be substitutes for each other in national campaigns.

¹² [REDACTED]

Industry bodies

Introduction

1. This appendix sets out the issues put to us by third parties with respect to Global's participation in a number of industry bodies, and in the context of a number of industry-wide arrangements for the sale of pooled advertising inventory, notably:
 - (a) RadioCentre and RAJAR;
 - (b) Radioplayer and UK Digital Radio;
 - (c) Independent Radio News (IRN) (Newslink); and
 - (d) the Big Top 40 chart show (BT40).

2. We also set out Global's views on the issues raised.

RadioCentre/RAJAR

3. RadioCentre is the commercial radio industry's trade body and works with government, policymakers and regulators on topics such as digital switchover and DCMS policy consultations, as well as providing a forum for industry-wide discussion and debate. One of its roles is to raise the profile of commercial radio with advertisers and their agencies through the Radio Advertising Bureau (RAB). RAB was set up to promote the merits of radio to advertisers, to advise radio stations on matters such as how to make their schedules more attractive to advertisers and agencies, and to act as an advisory service to advertisers. It also negotiates on behalf of the commercial radio industry with music licensing bodies such as the Performing Right Society. RadioCentre said that it also worked with the radio stations themselves, helping them to maximize the potential of their businesses. The Radio Advertising Clearance Centre (RACC), which is the industry's self-regulatory body for clearing advertisements prior to broadcast, is responsible for ensuring that stations comply with the Broadcast Code of Advertising Practice and is also part of RadioCentre. RadioCentre

has a 50 per cent shareholding in RAJAR and has interests in a number of other industry bodies, notably Radioplayer and UK Digital Radio (see below).

4. RAJAR is a 50:50 joint venture between the BBC and RadioCentre that is responsible for measuring radio audiences in the UK. There are more than 300 radio stations on the survey. It is a not-for-profit organization and the costs related to the annual delivery of the service are matched by an annual fee levied to the BBC and a charge to licensed radio stations that reflects the varying cost of the different sized total survey areas (TSAs) that require surveying. The charges for commercial stations are approved by RadioCentre.
5. RAJAR data is relied upon by the advertising industry for the planning of campaigns and for purchasing airtime. All parties consider RAJAR data to be crucial 'currency' for attracting advertisers. RAJAR commissions specialist external research contractors to carry out the research survey on its behalf for a defined period. The research specification and the accepted costs of delivering the service are set by the RAJAR board after input and consultation with the executive, its technical advisers and wider industry stakeholders. Any material change to the technical specification of the service will be taken to the RAJAR board for agreement only after prior discussion by the Technical Management Group. This is a committee chaired by RAJAR and made up of the RAJAR executive, technical research experts from within the BBC and commercial radio groups, the IPA, the commercial radio technical consultant and the research contractors.
6. RAJAR said that it was formed along similar lines to that of its counterparts in other sectors, for example: television (Broadcasters' Audience Research Board), newspaper (National Readership Survey) and out-of-home industries (Poster Audience Research), in that it was a joint industry committee ensuring industry alignment and

collective buy in to its measurement methodologies and service. It also said that its independence of any single stakeholder's interest was fundamental to its integrity so that its output was objective, trusted and valued. The voting structure of the board and general meeting was designed to deliver this.¹

Views of third parties

7. Competitors' key concern relates to Global's incentives, via its shareholding in RadioCentre, to influence RAJAR's strategy. Third parties speculated that Global would rebrand to create quasi-national networks and it has been suggested that this will lead Global to focus purely on matters of interest to national networks. [X]. It is argued that, as a result of the merger, Global is likely to have less interest in the continuation of RAJAR's local audience monitoring, which is expensive, and accordingly Global might use its influence in RAJAR to reduce the size of the samples taken, which would undermine the reliability of the data used for local measurement. A partial or full withdrawal of RAJAR from small station surveying would prevent local stations from being able to sell advertising as effectively due to a lack of reliable audience figures, thereby threatening their commercial viability.² Third parties told the OFT that there would also be prejudice to smaller stations if a two-tier system were to emerge as such stations would find it very difficult to trade their airtime if the audience measurement systems were different at a national and regional/local level. In such circumstances, the likelihood is that the major advertisers would simply look at the one with the greater scale as the more robust.³

¹ RAJAR.

² Bauer Ofcom submission. [X].

³ [X] noted a risk that the BBC might seek to leave RAJAR if it became frustrated with the way in which Global exercised influence in relation to RAJAR. When asked the BBC told us that it had not expressed any inclination to do so.

8. UTV said that it had resigned its membership of RadioCentre because RadioCentre's strategy and input to policy were already dominated by Global.⁴ Bauer noted that there was no documentary evidence at board level of Global being outvoted by other members of RadioCentre because decisions were made via negotiation and agreement prior to the need for a vote. [X] said that in its view there had been situations where RadioCentre had appeared to be the 'mouth piece' of the Global view and therefore other companies went on to submit independent papers reflecting their own views. In that regard, [X] gave some examples of potentially controversial issues that could be influenced by Global at the expense of other radio operators in future: aiding the migration of smaller stations to DAB and the development of RAJAR to survey IP-based radio. [X] was also concerned that [X]. By contrast, [X] noted that it had not felt the need to raise any concerns in this respect with RadioCentre up to now, although it had some concerns about how the position might change following the merger.

Global's views

9. Global [X] said that RadioCentre worked as a voluntary trade body for commercial radio stations and therefore that decisions were taken by consensus which did not always entail unanimity. Global also said that it did not use its majority shareholding to weight the board in its favour.
10. Global said that it could not recall any RadioCentre matter coming to a formal board vote as anticipated by the Articles of Association. In practice, consensus of the RadioCentre board was sought by the CEO, clearly applying a higher threshold than the Articles of Association. If a vote were required, with only three out of 11 seats on the board, Global would not be able to outvote the other board members. Members

⁴ UTV noted that prior to Global acquiring more than a 50 per cent stake, it had been customary for any shareholder in that position to sell down its stake to ensure it remained below the 50 per cent level.

may choose to leave, as UTV had done,⁵ if they felt that their interests ceased to be adequately represented. However, Global noted that this would undermine RadioCentre's viability.

11. RadioCentre's shareholders had no role in RadioCentre's appointment of the three RAJAR directors. RadioCentre's underlying rationale was to appoint one senior programmer, one senior commercially-orientated individual, and the RadioCentre CEO who was to represent all commercial radio members.⁶
12. Global also said that it did not have the ability to influence RAJAR's strategy via RadioCentre, nor the incentive to change RadioCentre/RAJAR strategies after the merger, for the following reasons:
 - (a) Within RadioCentre, the merged entity would only have three directors out of 11 [X]. As RadioCentre's Articles of Association state that board decisions are passed by a majority vote, Global is not able to direct RadioCentre's strategy at this level. In practice, decisions to appoint or remove board representatives, including the CEO, are passed by consensus.
 - (b) RAJAR is structured as a 'deadlocked' company, which means that any decision (at board or shareholder level) requires the approval of both of its shareholders, RadioCentre and the BBC. Indeed, any decisions taken by the RAJAR board require the approval of *all* the member directors present. Therefore RadioCentre—and Global—has no ability unilaterally to affect RAJAR's strategy. The merger will not change this structure. Global does not have any incentive to change RAJAR's and RadioCentre's strategies after the merger, as its interest is to maintain the viability of RadioCentre and RAJAR as trade bodies as a whole.

⁵ Global said that UTV and UKRD left RadioCentre because they wanted to lobby against the Digital Economy Act, whereas the remaining RadioCentre members supported the Digital Economy Act (including RSL, Bauer, TIML, Lincs FM, KMFM and Quidem). According to Global, UTV did not agree with the consensus of RadioCentre.

⁶ As a result, the three RadioCentre seats on the RAJAR board are currently filled by Richard Park (Global), one of the industry's leading programmers; Dee Ford (Bauer Radio) for her commercial background; and Andrew Harrison, the CEO of RadioCentre.

From a commercial point of view, although RAJAR has an incentive to operate its business cost-effectively, RAJAR has a much stronger countervailing incentive to ensure that the industry's audience measurement system—which is the 'trading currency' for commercial radio—remains robust and accurate thus retaining the full confidence of agencies and advertisers. Any loss of advertiser or agency confidence in RAJAR, or negative publicity regarding any proposed change to its methodology, would be highly damaging to Global's interests.

13. Global also said that from the period before the Global/GCap merger until now, there had been no changes to the amount of surveying carried out by RAJAR with respect to the total geographic areas surveyed (ie the whole of the UK). Instead of reducing the extent of small station surveying, RAJAR had recently decided to increase sample sizes in the 15 to 34 age group. As far as Global was aware, RAJAR currently had no strategy to partially or fully withdraw from small station surveying and any such change could ultimately only be made by the RAJAR board.
14. Global noted that stations themselves selected the TSA in which they wished to be surveyed. From its own perspective, as a result of regulatory changes permitting local stations to co-locate to create larger regional stations, some regional stations that were once surveyed as separate local stations were now surveyed as one larger station (eg Capital East Midlands and Heart North-West and Wales).
15. In terms of the suggestion that it would otherwise have the incentive to increase rivals' costs through the adoption of the strategies suggested above, Global argued that this would not be profitable as it would be unlikely to attract a sufficient number of advertisers who might be lost to the smaller, local stations as a result. Global said that its stations would not be close competitors to small, local radio given its national/quasi-national brand portfolio.

Governance

RadioCentre

16. Prior to the acquisition of RSL, Global held nearly 58 per cent of the voting rights in RadioCentre and had the ability to exercise decisive influence, including formally through the ability to appoint (or remove) any director.⁷ The acquisition of RSL's additional 3.7 per cent interest does not materially affect this position.
17. To date, appointments to the board have been made by consensus among the RadioCentre directors.⁸ Global and RSL are currently represented on the board by two and one directors respectively, out of 11. [✂]
18. RadioCentre's Articles provide that 'in appointing directors, the Company shall take proper account of the shape and ownership of Commercial Radio stations in the UK and ensure that the board of directors is broadly representative of all Association member stations'.⁹

RAJAR

19. RAJAR's Articles of Association provide that the members—RadioCentre and the BBC—are entitled to appoint two directors per member ('member directors'). In practice both the BBC and RadioCentre appoint three directors. The BBC and RadioCentre have agreed that a principal director for each will be the CEO of Radio Centre and the Director of Audio and Music of the BBC respectively. The members jointly appoint an independent chairman of the Board of Directors. RAJAR said that the current RAJAR board comprised: a jointly-appointed independent chairman; a jointly-appointed CEO; and three directors appointed by each member. Specifically in relation to commercial radio, the directors are the CEO of RadioCentre and the two

⁷ Any decision to appoint a director may be taken by a shareholder who holds a majority of the voting rights or a simple majority at general meetings (as well as by the directors of RadioCentre themselves).

⁸ Board decisions are taken by a majority of votes.

⁹ Article 14.5 of the Articles of Association.

directors appointed by RadioCentre, currently a Global representative and a Bauer Media representative. In addition, representatives of ISBA attend board meetings as observers but without voting rights.

20. A board meeting is only quorate if at least four directors are present, including one member director for each member plus the chairman. All board decisions require the agreement of all member directors appointed by RadioCentre and all member directors appointed by the BBC who are present at the relevant board meeting. In the event that there are more directors present at the board meeting representing one of the members, the voting rights of the member with fewer directors is given a value such that the total votes are equal to those of the other member's directors.

Radioplayer and UK Digital Radio

21. Radioplayer is the industry's agreed shared platform for online streaming in which both Global and RSL have shareholdings (28 per cent jointly). Radioplayer has devised a model based on 'shared standards' across the UK radio industry. Its initiatives have led to a common interface for radio on desktop computers, which launched across all BBC stations and 157 Ofcom-licensed stations in 2011, now grown to 346 stations, including community radio and student services. All major stations (both BBC and commercial licensed stations) are subscribers to Radioplayer and stream their content on the Radioplayer platform. Radioplayer is now focusing on mobile platforms and launched applications for radio listening on Apple and Android devices in early 2012.
22. UK Digital Radio is the marketing body for digital radio in which Global and RSL are principal members (holding 17 per cent of the voting rights jointly). Arqiva, Absolute, Bauer, RadioCentre and the BBC are also principal members. UK Digital Radio promotes wide access to, and the use of, digital radio throughout the UK.

Views of third parties

23. With respect to Radioplayer, it has been argued that, as a result of its increased shareholding, Global will have a significant ability to influence the governance and strategy of this platform, including the tariffs paid by other commercial stations and the placement of commercial inventory. With respect to UK Digital Radio, [X] argued that Global Radio and RSL were two of only four commercial radio broadcasters that were members of UK Digital Radio and, therefore, together they would be able to hinder the growth of digital radio in the UK.

Global's views

24. Global argued that participation in Radioplayer and UK Digital Radio was voluntary. These bodies acted for the benefit of the radio sector as a whole (including the BBC, commercial radio and community radio) and Global currently had no incentive to influence or control these entities for its own benefit to the detriment of others. Global said that its incentive in this respect would not change as a result of the merger. Radioplayer was an open platform available to all licensed stations, and not just to its members—non-members could also join the platform.
25. Global also questioned what the likely consumer harm would be even were it to obtain greater influence.

Governance

26. The voting rights of members at the general meeting of both Radioplayer and UK Digital Radio are directly linked to the annual financial contribution made by each member to the company. Members therefore already have the ability to seek to change their relative representation through a greater or lesser financial contribution. However, any amendment to the financial contribution (and voting rights attached

thereto) would require a unanimous decision of the members in Radioplayer and a majority decision of the members in UK Digital Radio.¹⁰

27. The BBC holds 50 per cent of the voting rights in both bodies and, therefore, any resolution of the general meetings of Radioplayer or of UK Digital Radio requires its consent. We have seen no evidence to suggest that the BBC's financial contribution is likely to change materially such as to impact on its relative position vis-à-vis other members.
28. The merger would give Global 28 per cent of the voting rights in Radioplayer, giving it the ability to veto special resolutions, including key strategic decisions and the budget.¹¹ These rights are mirrored at board level and any board decisions require all the directors to be present. Decisions to admit new members, to change the Articles of Association or to change individual members' contributions (and consequently their voting rights) require unanimity.
29. In relation to UK Digital Radio, the merger would not have a material impact on Global's current voting rights, which would increase by 6 per cent to 17 per cent.¹² Each member can appoint a maximum of one or two directors to the board depending on their annual contribution. Global and RSL representatives would not be sufficient to constitute a quorum.¹³

¹⁰ The five core partners in Radioplayer pay an annual 'service charge' in proportions directly linked to their voting rights at board level. Each participating station/licensee pays an annual licence fee relative to its size to offset the operating costs of the company. A member can resign with effect from the end of the current financial year if it does not approve the budget for the following year. Membership may also be terminated if, for example, the board considers (in its absolute discretion) that the continued membership of that member is against the interests of the majority of the company's members or the member ceases to qualify for membership under the criteria set out in the Articles.

¹¹ The other shareholders are RadioCentre with 11 per cent and Absolute with 11 per cent.

¹² RadioCentre holds 3 per cent of the voting rights.

¹³ Currently, Global and RSL have two and one directors respectively out of nine.

Independent Radio News

30. IRN provides national and international news content, including news audio clips and news scripts, to [over 250] subscribing commercial stations. IRN's total net revenue in the year to March 2012 was £[redacted].¹⁴ Global describes this product, Newslink, as '... a solus ad during each news bulletin on the hour between 6am and 1pm. One spot alone can reach 7 million people in one hit, giving total, national, broadcast coverage'.¹⁵ IRN's editorial board includes individuals from the major radio groups, which are represented by their Group Heads of News. IRN does not produce news content independently and its main supplier is Sky News [redacted].
31. Commercial radio stations receive the IRN service in exchange for providing an advertising slot immediately before or after the news bulletin between 6am and 1pm. IRN sells this airtime through an appointed sales agent which is currently Global [redacted]. RSL has no shareholding in IRN, although it does participate in the Newslink arrangements.

Views of third parties

32. Some competitors and advertising agencies have raised concerns that Global would, as a result of the merger, have direct control over an increased share of the IRN audience [redacted] which would materially increase the value of its airtime and its confidence that it could negotiate attractive terms with IRN. The OFT noted the concerns of third parties that the merged entity therefore would have the ability to vary commercial terms relating to Newslink, namely (a) to increase the level of commission it extracts as sales agent for the inventory; and/or (b) to vary the rebate terms to stations pooling inventory into Newslink.

¹⁴ [redacted] per cent of Global's total net revenues.

¹⁵ www.thisisglobal.com/radio-sales/newslink-big-top-40/.

33. Third parties also put to us that Global may now have greater incentives to seek to bundle sales of Newslink with sales of its other inventory.
34. [Media Agency A] suggested that the sales agency agreement between Global and IRN heightened its concerns about the merged group being unavoidable for advertisers seeking national coverage for their campaigns in that Newslink provided a viable alternative for buying around any given radio group given the volume of inventory committed across radio groups.¹⁶ Whereas prior to the merger, RSL was a separate radio media group, and separate from Global in the context of a third party network sale, now Global had an extra 10 to 12 per cent of the radio network under its direct ownership or influence in the context of this and other network packages.
35. This third party also argued that rivals would be unlikely to be able to provide a viable alternative to customers requiring national coverage.
36. [REDACTED]
37. We were also told that Global could credibly threaten to 'leave' IRN to increase its leverage further. Currently, small stations can purchase news content at a relatively low cost. Should Global leave IRN, the remaining subscribers would then likely be faced with the option of either:
- (a) ceasing to provide news content which would likely result in lower audience figures, resulting in lost advertising revenues, or
 - (b) sourcing news content from an alternative provider to IRN at an increased cost, which would result in reduced profitability.

¹⁶ [Agency A] said that Newslink (and BT40, see below) were attractive to advertisers whether the agency was at the time in a contract with Global or not, because these syndicated networks offered a unique audience or a mass audience.

Global's views

38. Global holds 55 per cent of the voting rights in IRN and RSL is not a shareholder.
39. In its submissions to the CC, Global noted that:
- (a) it had always represented IRN without objection on the part of the other IRN members;¹⁷
 - (b) [REDACTED]; and
 - (c) [REDACTED]¹⁸
40. [REDACTED]¹⁹ Global also noted that a subscriber station may [REDACTED] contract with Sky for the provision of the same news service. The merger does not change parties' rights in this respect.²⁰ It noted further that a station that was not currently a subscriber to IRN was not obliged to become a subscriber and was free to source the same news service directly from Sky. This was also not affected by the merger.
41. Global said that it had no incentive to change the way IRN operated, and it had no plans to leave IRN as it would achieve less revenue by doing so. Further, it said that it had never bundled sales of Newslink with its airtime sales and had no intention or interest in doing so after the merger.

Governance

42. There is no change to the corporate structure or organization of IRN as a result of the merger since RSL is not a shareholder. The other shareholders are Bauer (22 per cent), ITN (20 per cent) and UTV (3 per cent). Further, Global does not have the

¹⁷ Global also noted that it sold the relevant airtime predominantly to agencies rather than to direct customers.

¹⁸ Pursuant to subscriber agreements, IRN may [REDACTED]

¹⁹ [REDACTED]

²⁰ [REDACTED]

ability to amend [X] unilaterally, and although it remains in a position to block any changes proposed by others, this has not changed as a result of the merger.²¹

43. Currently Global is represented on the board of IRN by two directors out of seven. The board is quorate with three directors and resolutions are decided by a majority of votes.

The Big Top 40 show

44. Global produces BT40, a syndicated Sunday afternoon programme, and contracts with radio groups which agree to broadcast BT40 as the weekly chart show on their radio stations. In return, Global has the sole right to sell all commercial activity (eg advertising and S&P) relating to BT40 for a [X] per cent commission. Global established BT40 in 2009 in the context of its repositioning of the Capital brand. Global achieved revenues of £[X] in the 2011/12 financial year, [X] per cent of its total net revenues. Global said that it had currently entered into BT40 agreements with [X] radio groups, [X] of which commenced in [X]. This show is transmitted on [X] local radio services. [X]

Views of third parties

45. Some competitors argued that Global could credibly threaten to discontinue BT40 in order to further increase its leverage over advertisers. The remaining subscribers would then likely cease to broadcast BT40, which would likely result in lower audience figures, resulting in lost advertising revenues.

Global's views

46. Global noted that a radio group might [X].²² Global argued that the merger would have no effect on the term and termination rights provided for in BT40 agreements. It

²¹ With 55 per cent of the voting rights, Global can already appoint and remove directors. [X]

also noted that a radio station or group had no obligation to sign up to BT40 arrangements. Global noted that the [REDACTED],²³ and there was no change as a result of the merger.

47. [REDACTED]²⁴

²² Under the earlier agreements, [REDACTED].

²³ [REDACTED]

²⁴ [REDACTED]

Trends in Global's audience, revenue, advertising minutes and prices since the Global/GCap merger

Introduction

1. This appendix sets out our provisional analysis of trends over time affecting the radio stations currently owned by Global. As far as possible, we have compared these with trends affecting all commercial radio stations in order to control for factors affecting the commercial radio sector as a whole.

Stations currently owned by Global

2. We understand that the stations currently owned by Global fall into three categories:
 - (a) stations owned by Global prior to Global's 2008 merger with GCap;
 - (b) stations owned by GCap prior to Global's 2008 merger with GCap; and
 - (c) Atlantic Radio, which was acquired by Global in 2012 and rebranded as Heart Cornwall.
3. Our understanding of the rebranding that occurred following the merger with GCap is as follows:
 - (a) Between January 2008 and January 2009, most of GCap's 'The One Network' of locally-branded stations were rebranded as Heart (prior to the merger, Global had Heart-branded stations only in London and the West Midlands).¹ Two other stations (also previously part of GCap's 'The One Network' of locally-branded stations) were rebranded as Heart in July 2010.²

¹ Global also had Heart 106, though that station was divested to Orion which initially operated it under licence and rebranded it in January 2011 as Gem 106.

² A further station (Heart Hertfordshire) was also added to the Heart network. Heart Hertfordshire is not operated by Global; it is owned and operated independently under a brand and programme licensing agreement with Global.

(b) In January 2011, the Capital network was created. This consisted of Capital Radio in London, the then Galaxy-branded stations³ and the remaining four locally-branded stations (which had also been part of GCap's 'The One Network').

Audience

4. Radio audience is measured in two main ways: through total hours of listening and through reach (the number of people listening for at least 5 minutes, within at least one 15-minute period, in a given week). Both total listening hours and reach are measured by RAJAR.⁴ RAJAR data is available quarterly and shows the total number of hours of listening and average weekly reach for participating stations and groups of stations.
5. Global said that its experience had shown that rebranding radio stations with a single well-recognized brand across multiple regions and investing in differentiating each network so that it delivered a consistent and high-quality radio service to its core audience could significantly increase audience figures. Global told us it had succeeded in increasing the weekly reach of its station portfolio by approximately two million since the GCap acquisition.⁵
6. Bauer disagreed with Global's submission on this matter. Bauer said that it was misleading for Global to say in its submission to us that it had succeeded in attracting two million more listeners since the GCap merger. Bauer said that due to the way reach was measured, networking stations under a common brand, as Global had done, could appear to give the impression of increased reach even if real reach had

³ Some of these were former Global stations and two were GCap stations in its One Network group which Global had previously rebranded as Galaxy.

⁴ RAJAR data covers listeners of 15 years and over.

⁵ [Global initial submission](#).

not actually changed. Bauer said that, in addition to examining reach, it believed we should also examine total listening hours and average hours of listening.⁶

7. In this appendix, we consider trends in total listening hours and in reach.⁷ We consider total listening hours first.⁸

Listening hours

8. Figure 1 shows trends in listening hours of the radio stations now owned by Global and total listening hours of all commercial stations. The figure shows total listening hours of Global's main current brands (Heart, Capital, Classic FM) and the total for all Global stations (including Global's other brands—Xfm, LBC, Gold and Choice). In order to ease comparison, data is indexed to Q3 2008=100 (the Global/GCap merger was cleared subject to undertakings on divestments by the OFT in August 2008, ie midway through Q3 2008).

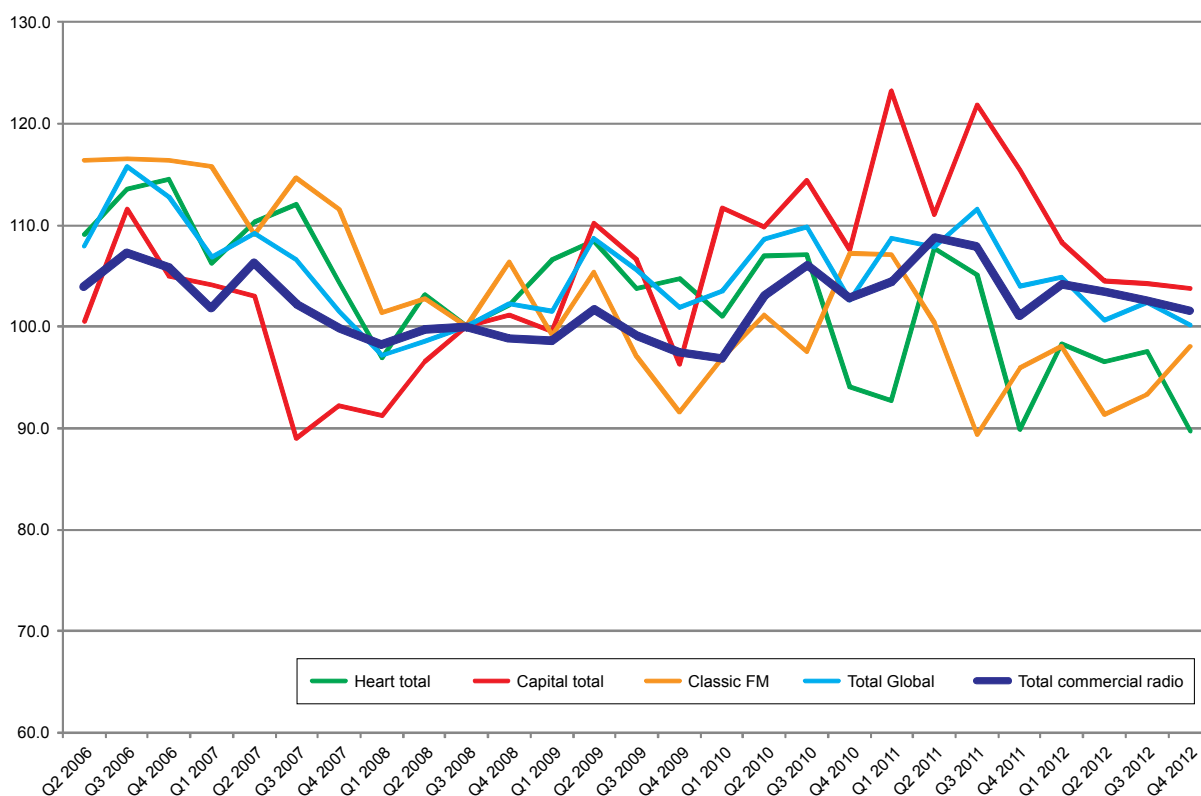
⁶ Bauer's response to Global's evidence to the CC.

⁷ We consider that it is not necessary to have a separate discussion of average hours of listening per listener. As discussed below (see paragraph 12), the trend in average hours of listening per listener reflects the difference between the trend in reach (number of listeners) and the trend in total listening hours.

⁸ Figures in this appendix for the total audience of all commercial radio stations are as published by RAJAR. Figures for Global and for Global brand are not necessarily as published by RAJAR since they reflect current station branding and ownership, rather than that at the date of publication, and cover a single RAJAR wave (approximately 3 months) whereas published RAJAR figures may reflect a 6 month average.

FIGURE 1

Trends in listening to radio stations now owned by Global, Q3 2008=100



Source: CC calculations of listening hours in each quarter based on RAJAR data.

9. Figure 1 shows somewhat different trends for different Global brands. Relative to the total for all commercial stations, listening hours for Heart increased following the merger with GCap, but in the last two years have fallen back; listening hours for Capital increased over a longer period than those of Heart, but fell back during 2012; and listening hours for Classic FM have declined.

10. We put an earlier version of this comparison to Global for comment and it made a number of points, including the following:
 - (a) Global said that, in the period since the GCap merger, listening hours of its stations had increased significantly faster than the commercial sector as a whole (including Global's stations);

- (b) Global said that the performance of its stations other than Heart and Capital was irrelevant to an assessment of whether Global's rebranding strategy had been successful;
- (c) In Global's view it was more appropriate to compare the performance of the Heart and Capital stations with that of: the rebranded stations prior to rebranding; and other local and regional commercial stations during the same period.
- (d) Global said that the appropriate benchmarks to assess the rebranding of the Heart and Capital stations were other local and regional commercial stations, not national commercial stations (which had benefited from the growth in digital take-up and listening);⁹

11. Our observations on these points are as follows:

- (a) Our comparison does not suggest that the listening hours of Global stations increased relative to those of all commercial stations over the period, Q3 2008 to Q4 2012. As illustrated in Figure 1, there was some increase immediately following the Global/GCap merger but subsequently listening hours of Global stations fell back.¹⁰ In relation to individual brands, we agree that since the Global/GCap merger the performance on listening hours of Capital stations has been significantly better than that of other commercial radio stations, though we also note that the outperformance of Capital stations pre-dated the 2011 Capital rebranding exercise and that Capital's outperformance has reduced during 2012. We do not agree the evidence shows that Heart stations have outperformed on listening hours since their initial outperformance after the Global/GCap merger has fallen back; while we note that Classic FM has significantly underperformed on listening hours compared both with all commercial stations and with national commercial stations.

⁹ Global noted that national DAB coverage was significantly greater than local DAB coverage (circa 90 per cent vs circa 66 per cent of the population), so local and regional stations on DAB were disadvantaged due to weaker technical coverage.

¹⁰ Global calculated slightly different figures, which showed listening hours of its stations increasing by 1 per cent relative to all commercial stations over the period Q3 2008 to Q3 2012. We do not think this can be described as a significantly faster increase.

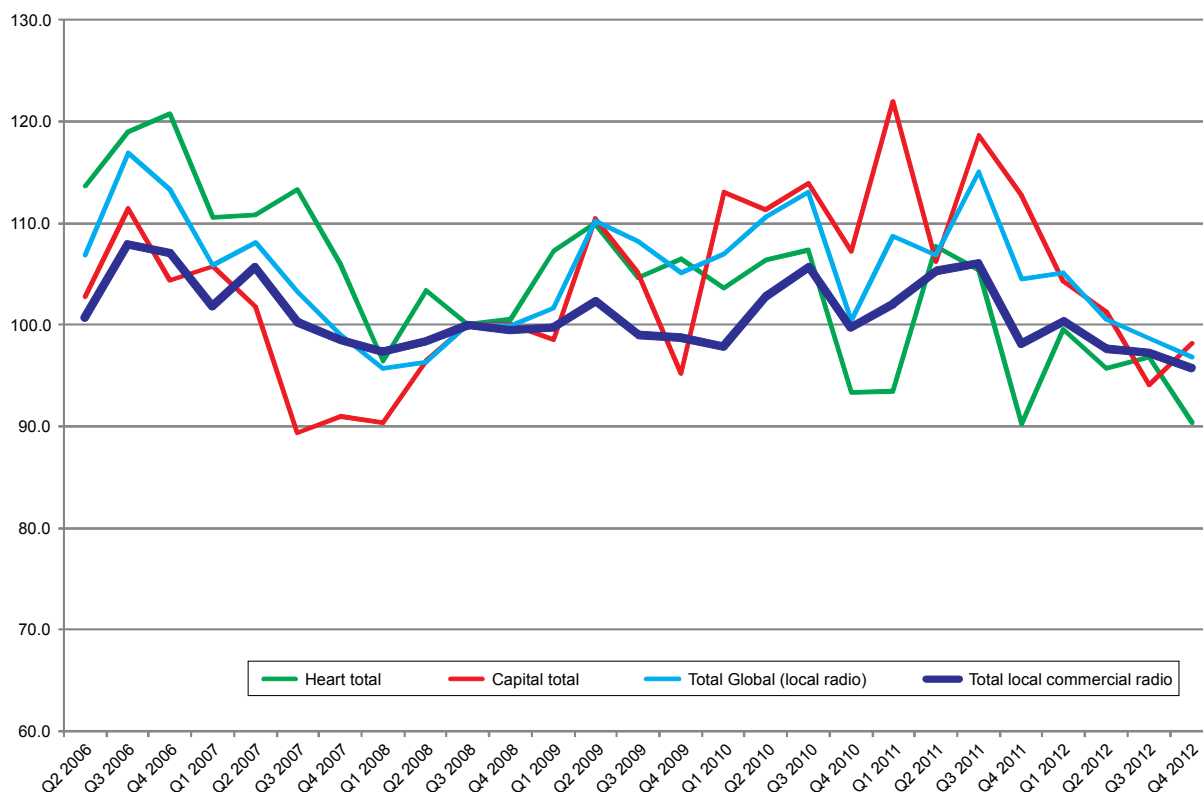
- (b) The performance of non-rebranded stations may be relevant if they are affected by the rebranding, for example if management resources are devoted disproportionately to the rebranded stations the performance of other stations may deteriorate.
- (c) We agree that the performance of the rebranded stations prior to rebranding may be relevant, though it cannot be assumed that pre-existing trends would have continued indefinitely. In practice, we believe there are difficulties in ensuring consistency the further back that any comparison is extended, and it is also unclear whether Global's comments relate to a comparison before and after the Global/GCap merger, or one before and after rebranding.
- (i) If the comparison is before and after the Global/GCap merger, it is logical to look at all stations involved in the merger. Figure 1 includes the pre-Global/GCap merger trend in listening hours (Q2 2006 to Q3 2008) and suggests that during this period the listening hours of most stations now owned by Global were declining relative to all commercial stations.
- (ii) If the comparison is before and after rebranding, it is logical to look only at stations involved in the rebranding, but to do so before and after the date of rebranding. Figure 1 shows that much of the increase in listening to Capital stations took place prior to the 2011 rebranding.
- (d) There are likely to be a variety of underlying drivers of radio stations' performance and comparison, but we agree that a comparison of Global's local stations with local commercial stations (as well as with all commercial stations) may be relevant. Since the listening hours of local commercial stations declined relative to all commercial stations, the relative performance of Heart and Capital stations are better on this basis (though the performance of Classic FM is worse relative to national commercial stations than to all commercial stations). Comparing

calendar 2012 with the 12 months ending Q3 2008,¹¹ the listening hours of Heart stations decreased by 5 per cent relative to local commercial stations (decline of 9 per cent relative to all commercial stations) and the listening hours of Capital stations increased by 12 per cent relative to local commercial stations (increase of 7 per cent relative to all commercial stations). For the same period, the listening hours of Classic FM declined by 21 per cent relative to national commercial stations (decline of 12 per cent relative to all commercial stations). In relation to comparisons of local stations, there is an argument for excluding out-of-area listening and Figure 2 shows a further comparison of listening to local stations in their TSAs (ie excluding out-of-area listening). The growth in listening to Global's stations is lower when out-of-area listening is excluded. Overall, Figure 2 shows a similar pattern to Figure 1 with Global stations outperforming all local stations after the GCap merger and then falling back.

¹¹ We make comparisons between 12-month periods as there is significant quarterly variation (see Figure 1). Figures include out-of-area listening.

FIGURE 2

Trends in listening in their TSAs of local radio stations now owned by Global, Q3 2008=100



Source: CC calculations of listening hours in each quarter based on RAJAR data.

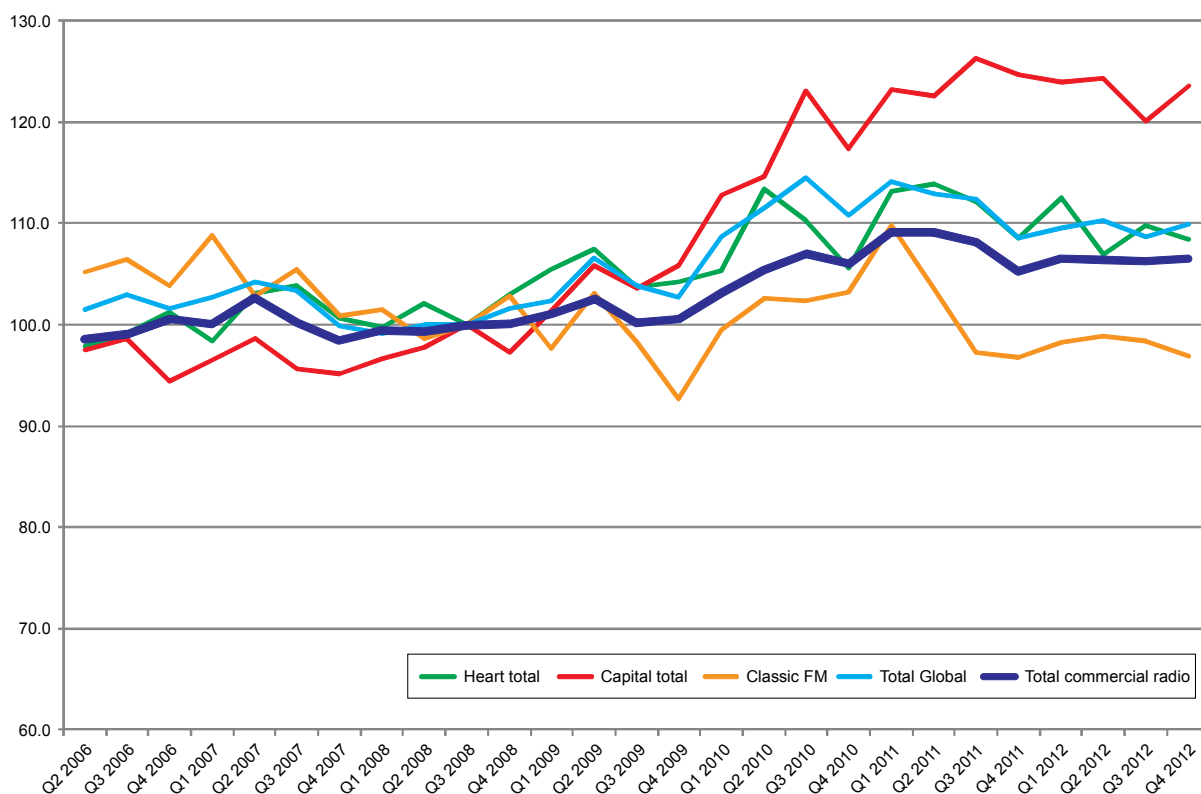
Reach

12. Trends in reach may differ from trends in listening hours if people listen for more or fewer hours per week to a station or group of stations. Unlike with listening hours, the reach of a group of stations is not necessarily the same as the total of the reach of the individual stations within the group (because some people may listen to more than one station within the group of stations). This is particularly relevant when considering a wide group of stations, such as all commercial stations.

13. Figure 3 shows trends in reach of radio stations currently owned by Global compared with the reach of all commercial radio stations.

FIGURE 3

Trends in reach of radio stations now owned by Global, Q3 2008=100



Source: CC calculations of reach in each quarter based on RAJAR data.

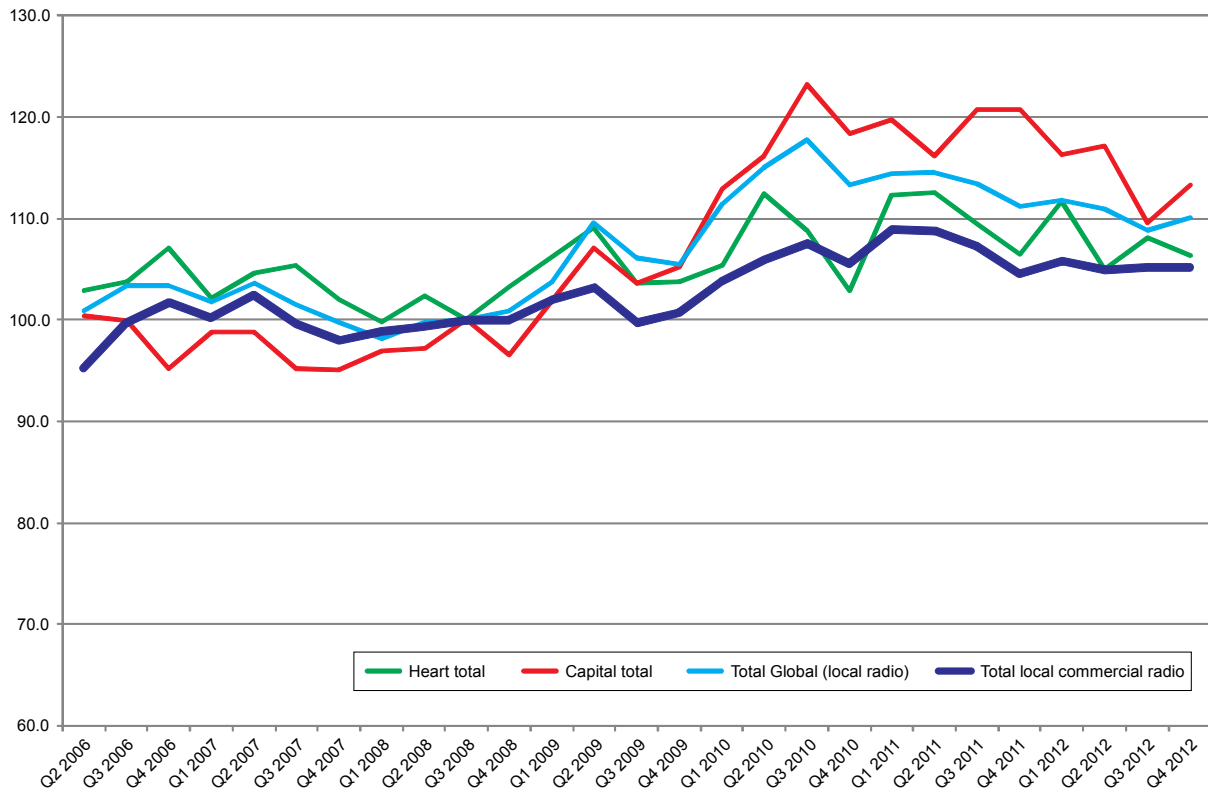
14. Figure 3 shows that the reach of Global stations has increased faster than that of all commercial stations. The reach of Capital stations increased substantially faster than that for all commercial stations, the reach of Heart stations also increased slightly faster than for all commercial stations, while the reach of Classic FM declined relative to all commercial stations. Overall, the reach of Global stations has increased relative to all commercial stations. We considered whether the relative increase in reach of Global stations might just reflect a general tendency for people to listen to more stations for fewer hours per week¹² but thought this was unlikely to explain much of the relative increase—we noted that the sum of the reach of all individual commercial stations did not seem to have increased much relative to their combined reach.

¹² If there is a general trend of consumers listening to more stations for fewer hours per week and some listeners to commercial radio stations do not listen to any Global station, the total reach of Global stations will increase relative to the total reach of all commercial stations even if the reach of each individual Global and other station increases at the same rate.

15. Figure 4 shows the reach of Global's local stations in their TSAs compared with the reach of all local commercial stations in their TSAs.

FIGURE 4

Trends in reach in their TSAs of local radio stations now owned by Global, Q3 2008=100



Source: CC calculations of reach in each quarter based on RAJAR data.

Observations on trends in audience measures

16. Since Global's stations appear to have performed better relative to all commercial stations on reach than listening hours, we considered whether listening hours or reach were more relevant as a measure of performance.

(a) In relation to listeners, it seems to us that it is total listening hours that matter. We can see no reason why, for example, 20 listeners listening for 5 hours per week (reach of 20, hours of 100) are more valuable than 10 listeners listening for 10 hours per week (reach of 10, hours of 100). Global disagreed, stating that if a radio station attracted additional listeners to a station as a result of investments in its programming this clearly 'mattered' to listeners—Global said that the listeners

had made the choice to tune in to a station that they did not previously tune in to, indicating that they derived more benefit from doing so than they did previously. We accept this point, but it does not explain why more value should be attached to each hour of listening for those who listen a few hours per week than those who listen more hours per week. Hence, as long as we are concerned with listeners, there is no reason to look beyond total listening hours. On this measure, Global stations have overall not performed better than all commercial stations.

(b) On the other hand, it seems to us that advertisers attach value both to total listening hours and to reach (this is reflected, for example, in the fact that RAJAR measures both). Hence, in relation to advertisers, both audience measures are likely to be relevant, and Global's better performance on reach than listening hours should be taken into account.

Revenue

17. Figure 5 shows trends in airtime and S&P revenue for Global's stations compared with trends for all commercial stations. Figure 5 shows annual rather than quarterly data because Ofcom figures for net revenue of all commercial stations¹³ are only available annually; in the light of this we have used 2008=100 in this figure. Also, no Ofcom data is yet available for 2012, so the figure ends at 2011.

FIGURE 5

Trends in revenue of radio stations now owned by Global, 2008=100

[✂]

Source: CC calculations based on data from Global and Ofcom.

18. [✂]

¹³ Net revenue includes national and local airtime and sponsorship and promotion. It excludes other relevant revenue which is not available for 2007 and 2008.

19. [X] We look below at trends in measures of the amount of advertising on Global's stations (hours of advertising per quarter and price (average CPT), see paragraphs 23 to 28. We are unable to make a comparison with other commercial stations, [X] (see paragraphs 23 and 24).

TABLE 1 Trends in listening hours, reach and revenue of Global's stations relative to all commercial stations, 2008 to 2011

	<i>per cent</i>		
	<i>Listening</i>	<i>Reach</i>	<i>Revenue</i>
Heart total	-8	2	[X]
Capital total	14	17	[X]
Classic	-10	-7	[X]
Total Global	2	3	[X]

Source: CC calculations based on data from Global and Ofcom.

Note: For each row, the 2011 index for Global stations has been divided by the 2011 index for all commercial stations and one subtracted from the result.

20. Quarterly revenue data for all commercial radio stations up to Q3 2012 is available from RAB; however, the RAB revenue figures include agency commission and certain other costs and are therefore less comparable with the Global figures than are the Ofcom revenue figures. Figure 6 shows a comparison of revenue for Global stations against RAB revenue data. [X]

FIGURE 6

Trends in revenue of radio stations now owned by Global, quarterly data by brand, Q3 2008=100

[X]

Source: CC calculations based on data from Global and RAB.

Other data for Global stations

21. In this section, we show further analysis covering areas where we have not been able to compare trends for Global stations with those for all commercial stations.

Revenue

22. Figure 5 shows trends for all Global stations by type of revenue.¹⁴ S&P revenue and non-contracted revenue have [✂].

FIGURE 7

Trends in revenue of radio stations now owned by Global, quarterly data by revenue stream, Q3 2008=100

[✂]

Source: CC calculations based on data from Global.

Hours of advertising

23. Figure 8 shows trends in the total hours of advertising on Global stations in each quarter year. In order not to attach too much weight to smaller stations, we calculated a weighted average of the change in quarterly advertising hours.¹⁵ [✂]¹⁶

FIGURE 8

Trends in advertising hours on stations now owned by Global, Q3 2008=100

[✂]

Source: CC calculations based on data from Global.

24. We also considered trends in advertising airtime impacts. The number of impacts reflects both the trend in the number of hours of advertising sold and in listening (though with a lag because RAJAR listening data is not available contemporaneously). [✂]

FIGURE 9

Trends in airtime impacts on stations now owned by Global, Q1 2009=100

[✂]

Source: CC calculations based on Global data.

¹⁴ The split between type of revenue is not available for all stations prior to Q1 2009.

¹⁵ We used Q3 2008 average revenue per advertising hour as weights. For the period from Q3 2008, this is a base-weighted quantity index for advertising hours.

¹⁶ [✂]

Average prices for airtime (CPT)

25. In this section, we show available data on average CPT. Average CPT is only available for airtime, not for S&P, and represents a weighted average of CPTs across campaigns on a station or group of stations within a period such as a quarter, but the available data does not cover all campaigns (typically it covers about 95 per cent of revenue). Additionally, CPT data is not available for all stations prior to November 2008, and [redacted] (pre-November 2008, average CPT is only available for [redacted], not for stations [redacted]). In the light of these points, we show the trend for [redacted] all stations since Q1 2009.¹⁷

26. Figure 10 shows average CPT in £ per thousand impacts. [redacted]

27. Trends in average CPT may reflect changes in prices paid, in the relative importance of advertising purchases by different customers (average CPT will decline if advertising purchased by lower-priced customers increase relative to advertising purchased by higher-priced customers) and in the relative importance of advertising purchases at different times of day (average CPT will decline if purchases of advertising at low-priced off-peak times increase relative to purchases at higher-priced peak times).

FIGURE 10

Weighted average CPTs for stations now owned by Global, £

[redacted]

Source: CC calculations based on data from Global.

28. Data is available separately for contracted and non-contracted CPT (see Figures 11 and 12).¹⁸ [redacted]

¹⁷ [redacted]

¹⁸ Classic FM has been omitted from Figure 9 [redacted].

FIGURE 11

Contracted CPTs for stations now owned by Global, £



Source: CC calculations based on data from Global.

FIGURE 12

Non-contracted CPTs for stations now owned by Global, £



Source: CC calculations based on data from Global.

Glossary

Agreement	National Sales Agency Agreement. The agreement entered into between Global and RSL for the sale of certain airtime by Global on RSL 's behalf.
AM	Amplitude modulation. Type of modulation produced by varying the strength of a radio signal. This type of modulation is used by broadcasters in three frequency bands: medium frequency (also known as medium wave); low frequency (also known as long wave); and high frequency (also known as short wave). The term AM is also used to refer to the medium frequency band.
BT40	The Big Top 40 Show, a weekly chart show produced by Global .
Contracted airtime	Airtime that is sold to advertisers via media agencies by radio stations, or a radio group or sales house selling on the station's behalf, under a fixed term contract.
Cost per slot	The cost of a unit of airtime on radio, a commonly used measure in relation to airtime advertising.
CPT	Cost per thousand impacts (ie when an advertisement is listened to 1,000 times), a commonly used measure in relation to radio advertising.
DAB	Digital audio broadcasting, a digital radio transmission system whereby one or more analogue audio streams are converted to a digital format.
Digital switchover	The point at which analogue radio transmissions will be permanently replaced by digital radio.
DTV	Digital television.
Fill-rates	The rate at which airtime made available for advertising is used.
FM	Frequency modulation. Type of modulation produced by varying the frequency of a radio carrier in response to the signal to be transmitted. This is the type of modulation used by broadcasters in part of the very high frequency band, known as VHF Band 2.
Format	The output of each commercial radio station is regulated by a format document which is part of the radio licence. This sets out the character of the service which a station must deliver as a condition of its licence.
FRS	First Radio Sales, a sales house for over 100 local commercial radio stations.
Global	Global Radio Holdings Limited, the parent company of Global Radio , and purchaser of GMG Radio . Global is one of the merging parties.

Global Radio	Global Radio Limited, owned by Global , and owner of Global's radio interests through a number of subsidiary companies.
GMG Radio	GMG Radio Holdings Limited, the entity that was sold to Global and which is now known as RSL .
ILR	Independent local radio.
IRN	Independent Radio News, the provider of news service to commercial radio in the UK.
Multiplex	The process of converting one or more analogue audio streams into a digital format and then combining the signals into a single digital stream.
MXR	MXR Holdings Ltd, the holding company of MXR Limited which in turn owns and operates a series of regional DAB multiplex services.
Network buys	A campaign booked across all stations on a brand's network rather than on a single station or subset of stations.
NMR	Nielsen Media Research market data, a resource that collates data on advertising and promotional campaigns on radio, television and in other media.
Non-contracted airtime	Airtime that is sold by radio stations to advertisers typically on a campaign-by-campaign basis.
Ofcom	The independent regulator and competition authority for the UK communications industries.
OFT	The Office of Fair Trading.
RadioCentre	The trade body of commercial radio operators within the UK.
RAJAR	Radio Joint Audience Research Limited, a non-profit-making body that is jointly owned by the BBC and RadioCentre which measures radio audience figures and associated demographics within the UK.
Reach	Defined by RAJAR as the number of people who tune into a radio station for at least 5 minutes (within at least one 15-minute period) in a given week.
RSL	Real and Smooth Limited, formerly GMG Radio and one of the merging parties.
S&P	Sponsorship and promotion of radio content by advertisers.
Share of listening	The proportion of total listening hours that a station achieves compared with total listening hours of all stations.
Simulcast	The broadcasting of a television or radio programme service on more than one transmission technology (eg FM and medium wave, DAB and FM , and digital television).

TSA

Total survey area. The total area that a station's signal covers, usually together with any areas surrounding it that contribute to a proportion of their listening time to that radio station.