By email

Inquiry Manager
Global Radio/GMG merger
Competition Commission
Victoria House
Southampton Row
LONDON
WC1B 4AD

December 14, 2012

KM Group

Dear KM Group

These are the comments we would like to make on the Competition Commission's statement of issues (Sol) regarding the acquisition by Global Radio Holdings Ltd of the GMG Radio Holding Ltd (now Real and Smooth Ltd).

KM - A brief summary

The KM Group is a local family-owned media business with a portfolio serving communities in Kent. We own seven small-scale local FM licences and one DAB licence, all of which we run under the brand name kmfm.

The Commercial Radio Marketplace in Kent

Global operates Heart in Kent (audience 365,000 with 3.455m listening hours - RAJAR Sept 2012). kmfm represents 30% of listeners and 27% of listening hours in the Kent commercial radio marketplace (audience 159,000 with 1.255m listening hours - RAJAR Sept 2012). We also produce a number of paid-for and free local weekly newspapers as well as our internet site KentOnline. We are passionate about providing good quality local media to the people and communities of Kent.

Our output is tailored to the local marketplace, all output is created in Kent (including the news 0600-1800) and we have 24 hour live transmission. We provide significant local employment and an alternative local commercial radio service to Global in Kent. Our costs per listener are higher than that of Heart in Kent and a far greater proportion of our sold airtime and S & P goes to local advertisers.

The National Radio Advertising Marketplace

We are represented by the national agency First Radio Sales (FRS) in the national marketplace. FRS sell our national airtime and S & P (ref: Sol para 11 b & c). National revenues represent c20% of our radio trading income.

Revenue Outlook

We firmly believe that our ability to attract advertising revenue and S & P revenue will diminish if the Global/RSL merger is agreed by the Competition Commission. The power and scale created under this merger will enable Global/RSL to control a greater proportion of national and local revenues across the UK and also in Kent. We also believe that in longer term this merger will have a detrimental impact on the quality and diversity of radio services available across the country.
We understand that Global derive the majority of their revenues from the large marketing services groups with whom they have traditionally sought trading arrangements that include preferential rates and price negotiations based on share of radio budget (ref Sol: para 11a). We believe this merger will increase their power to negotiate this way (ref Sol: para 19). Accordingly FRS's position to negotiate or offer alternatives is severely reduced which would then further impact our national revenues.

The increased negotiating power in the national marketplace would have a knock-on impact into the local marketplace (ref Sol: paras 11b & 11c). The higher value gained for national revenues would enable Global/RSL to charge reduced rates for local inventory which again would impact our ability to compete with them in Kent (ref Sol: paras 19 & 23).

We are concerned that this situation will create deterioration in our trading ability which will reduce our revenues despite the fact that we are providing the services required by our licences. Reduced revenues would then impact our ability to invest in our radio services therefore lessening the quality, diversity, desirability and choice of radio services available to the people of Kent (ref: Sol para 23).

Other factors
We are concerned that the greater scale created will increase Global/RSL's ability and spend in marketing for new listeners (ref: Sol para 9).

We are concerned about the impact this Global/RSL merger will have on the Radio Centre (ref: Sol para 25b).

We are concerned that this Global/RSL merger will further impact our ability to attract artists to support our stations (ref: Sol para 27).

We agree that entry to our industry is very difficult due to the limited availability of licences, plus it is a risky industry for new entrants to invest in due to the uncertainty surrounding the digital switchover (ref: Sol para 28a).

Although we are not in one of the geographical areas highlighted in the Statement of Issues we would urge the Competition commission to take our views into consideration.

Yours sincerely

GERALDINE R P ALLINSON
CHAIRMAN