

# Completed acquisitions by Bauer Media Group of certain businesses of Celador Entertainment Limited, Lincs FM Group Limited and Wireless Group Limited, as well as the entire business of UKRD Group Limited

## Decision on relevant merger situation and substantial lessening of competition

ME/6809/19; ME/6810/19; ME/6811/19; and ME/6812/19

The CMA's decision on reference under section 22(1) of the Enterprise Act 2002 given on 24 July 2019. Full text of the decision published on 30 August 2019.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

### SUMMARY

1. Between 31 January 2019 and 31 March 2019 Heinrich Bauer Verlag KG (trading as Bauer Media Group (**Bauer**)), through subsidiaries, bought:
  - (a) From Celador Entertainment Limited (**Celador**), 16 local radio stations and associated local FM radio licences (the **Celador Acquisition**);
  - (b) From Lincs FM Group Limited (**Lincs**), nine local radio stations and associated local FM radio licences, a [X] interest in an additional local radio station and associated licences, and interests in the Lincolnshire [X] and Suffolk [X] digital multiplexes (the **Lincs Acquisition**);
  - (c) From The Wireless Group Limited (**Wireless**), 12 local radio stations and associated local FM radio licences, as well as digital multiplexes in Stoke, Swansea and Bradford (the **Wireless Acquisition**); and
  - (d) The entire issued share capital of UKRD Group Limited (**UKRD**) and all of UKRD's assets, namely ten local radio stations and the associated local

FM radio licences, interests in local multiplexes, and UKRD's 50% interest in First Radio Sales (**FRS**) (the **UKRD Acquisition**).

2. The acquired businesses are collectively referred to as the **Targets**. The four acquisitions are collectively referred to as the **Acquisitions**, and individually they are referred to as an **Acquisition**. Bauer and the Targets are together referred to as the **Parties**.
3. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Bauer, UKRD, as well as the acquired businesses of Celador, Lincs and Wireless, is an enterprise; that (i) Bauer and the acquired business of Celador have ceased to be distinct as a result of the Celador Acquisition; (ii) Bauer and the acquired business of Lincs have ceased to be distinct as a result of the Lincs Acquisition; (iii) Bauer and the acquired business of Wireless have ceased to be distinct as a result of the Wireless Acquisition; and (iv) Bauer and UKRD have ceased to be distinct as a result of the UKRD Acquisition; and that the share of supply test for each Acquisition is met. The four-month period for a decision in respect of each Acquisition, as extended, has not yet expired. The CMA therefore believes that it is or may be the case that each Acquisition has resulted in a relevant merger situation.

#### *Commercial radio*

4. The Parties overlap in the supply of commercial radio services in the UK, a two-sided market in which radio stations compete for both advertisers and radio listeners. Consistent with the approach adopted in previous radio mergers, the CMA has focused on the effect of the Acquisitions on the advertisers' side of the market, on the basis that the interests of listeners are largely protected through Ofcom's licencing requirements and the presence of the BBC.
5. The CMA's frame of reference for this assessment is the supply of commercial radio advertising in the UK. Within that frame of reference, the CMA has assessed the impact of the Acquisitions with respect to local radio advertising and national radio advertising.

#### *Multiplexes*

6. Bauer also bought digital audio broadcasting (**DAB**) multiplex interests from Lincs, Wireless and UKRD. These are collectively referred to as the **Acquired Multiplexes**. In order to transmit digitally, a radio station must have access to a DAB multiplex (**multiplex**). The broadcast areas of multiplexes can be national or local in scope. Access to multiplexes can be secured by owning an interest in a multiplex or paying a third-party owner.

7. The Acquired Multiplexes do not overlap with the local multiplexes Bauer already owns. However, the Acquisitions give rise to a vertical relationship between Bauer as a multiplex owner and local radio stations as customers of multiplex services. The CMA's frame of reference for this assessment is the supply of commercial multiplex services in the UK.

### ***Horizontal unilateral effects in the supply of local radio advertising***

8. As a result of the Acquisitions, Bauer acquired 45 local commercial radio stations, creating 40 overlaps with the Targets' stations.
9. The CMA identified five local areas in which overlaps presented prima facie concerns for detailed assessment. These are:
  - (a) The **West of England** overlaps between Celador's Sam FM and The Breeze (South West), and Bauer's Kiss West;
  - (b) The **West Midlands** overlaps between Wireless' Signal 107 and Bauer's Free Radio FM (Birmingham & Black Country), Free Radio FM Shropshire and Free Radio FM (Hereford & Worcester);
  - (c) The **North West of England** overlap between Wireless' Wish FM and Bauer's Rock FM;
  - (d) The **East of England** overlaps between Celador's Radio Norwich, The Beach, Town 102, North Norfolk and Dream stations, Lincs' Ipswich FM and Bauer's Kiss East; and
  - (e) The **Yorkshire** overlaps between (i) Lincs' Ridings FM and Bauer's Greatest Hits Radio (West Yorkshire) and Radio Aire, and (ii) Lincs' Dearne FM, Rother FM and Trax FM and Bauer's Hallam FM.
10. In assessing the degree to which radio stations are substitutable from the perspective of advertisers seeking a local audience, the CMA considered: (i) the geographic coverage and the nature of the signal; (ii) the size of the audience and the relative position of the station in the market; and (iii) the demographics of the target audience. The CMA also considered the strength of any remaining competitive constraints.
11. The CMA found that the Celador, Wireless and Lincs Acquisitions give rise to significant competition concerns in three local areas:
  - (a) In relation to the Celador Acquisition, in the **West of England**, the CMA has found that, with regard to the overlaps between Celador's Sam FM and The Breeze (South West) and Bauer's Kiss West, the Parties are

close competitors, and in the areas around Celador's stations, the Celador Acquisition gives rise to high market shares and only one competitor would remain as a constraint;

- (b) In relation to the Wireless Acquisition, in the **West Midlands**, the CMA has found that, with regard to the overlaps between Wireless' Signal 107 and Bauer's Free Radio FM (Birmingham & Black Country) and Free Radio FM (Shropshire), the Parties are close competitors, especially in Wolverhampton and Shropshire, and face only one highly differentiated competitor; and
  - (c) In relation to the Lincs Acquisition, in **Yorkshire**, the CMA has found that, with regard to the overlaps between Lincs' Trax FM, Dearne FM, and Rother FM and Bauer's Hallam FM, the Parties are each other's closest competitors, the Lincs Acquisition gives rise to particularly high market shares and the Parties would be constrained by just two competitors, both of which are differentiated and will have relatively small shares of supply.
12. For all other areas in which the Parties' local radio stations overlap, the CMA believes that none of the Acquisitions, together or in isolation, give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects in the supply of commercial radio advertising.

#### ***Horizontal unilateral effects in the supply of national radio advertising***

13. As a result of the UKRD Acquisition, Bauer acquired a 50% interest in, and therefore control over, FRS. FRS is a national sales house which sells national radio advertising on behalf of around 118 radio stations, including the Targets, in exchange for a commission.
14. The CMA found that there is limited evidence of direct competition between Bauer and FRS for the supply of national radio advertising. The CMA found that Bauer and Global are each other's closest competitors and that media buying agencies did not consider their negotiating position to be weakened by the loss of FRS. Accordingly, the CMA does not believe that the Acquisitions will give rise to a realistic prospect of an SLC as a result of horizontal effects in the supply of national radio advertising.
15. Nevertheless, the available evidence indicates that FRS holds an important position within the overall market structure of the commercial radio sector in the UK, as the only independent supplier of national advertising to independent local radio stations. In the CMA's Phase 1 investigation, competition concerns relating to a potential weakening in the position of FRS post-Acquisitions have primarily been raised by local radio stations. The CMA

has therefore analysed these concerns by reference to the potential effects of the Acquisitions on the markets for local advertising in local areas throughout the UK, while noting that the loss of FRS is also liable to change the market structure at the national level.

***Vertical effects in the supply of local radio advertising as a result of the loss of FRS as a national advertising sales house***

16. The CMA found that FRS would likely not be economically viable as a stand-alone sales house for supply of national radio advertising following the Acquisitions. In particular, the available evidence indicates that FRS would no longer be able to attract media buying agencies as customers (because of its greatly reduced reach and coverage) and therefore would no longer be able to cover its operating costs.
17. The CMA found that the vast majority of radio stations previously represented by FRS that were not bought by Bauer (**FRS stations**) in the UK consider that national radio advertising revenues are important, very important or crucial to their businesses (with many telling the CMA that such revenues are important to their viability).
18. The CMA found that independent local radio stations would be unable to offset the income they would lose should FRS exit the market.
19. While the Parties submitted that Bauer would have an incentive to represent independent local radio stations following the Acquisitions, the CMA found that Bauer would, in practice, have a significant conflict of interest, and that a strategy of declining to represent independent local radio stations in order to enhance its position may be more profitable.
20. The CMA identified 26 FRS stations that would be materially weakened in the event of a loss of national radio advertising revenues. For each of these, the CMA believes that the main local competitors other than FRS stations are stations owned by Global and Bauer. Of these, the CMA found that at least 20 may exert a material competitive constraint on their local competitors. The CMA found that the customers of FRS stations are liable to face a reduction in quality and that, as a result, FRS' competitors may be able to raise their prices or be less incentivised to improve the quality of their services. The CMA found that, should FRS stations exit, their customers and their competitors' customers would have fewer advertising alternatives, and may also be disadvantaged in future pricing negotiations.
21. Accordingly, the CMA believes that the Acquisitions give rise to significant competition concerns as a result of vertical effects in the supply of local radio

advertising resulting from the loss of FRS as a national advertising sales house.

### ***Vertical effects as a result of Bauer's supply of multiplex services***

22. The regulatory regime governing multiplex licensees includes obligations under the terms of their Ofcom licence and the provisions of the Broadcasting Act 1996 and Communications Act 2003 to: (i) ensure effective competition in respect of and avoid undue discrimination against digital services connecting to the multiplex; and (ii) obtain Ofcom consent prior to changing a multiplex line-up.
23. The CMA found that the Acquisitions would not result in a material change in the ownership structure of local multiplexes and that the Acquisitions do not alter upstream or downstream concentration. The CMA found that the Acquired Multiplexes have spare capacity for multiple stations and that customers of the multiplexes did not raise concerns in relation to the change in control.
24. Accordingly, the CMA found that the Acquisitions do not give rise to a realistic prospect of an SLC as a result of vertical effects resulting from foreclosure of access to multiplexes.

### ***Barriers to entry and expansion***

25. The CMA identified considerable barriers to entry and expansion, and found that entry or expansion would be insufficient to offset the competition concerns identified.

### ***Conclusion***

26. The CMA therefore believes that it is, or may be the case, that:
  - (a) in relation to each Acquisition, a relevant merger situation has been created;
  - (b) the Celador Acquisition gives rise to a realistic prospect of an SLC in relation to the supply of local commercial radio advertising in the West of England;
  - (c) the Wireless Acquisition gives rise to a realistic prospect of an SLC in relation to the supply of local commercial radio advertising in the West Midlands;

- (d) the Lincs Acquisition gives rise to a realistic prospect of and SLC in relation to the supply of local commercial radio advertising in Yorkshire; and
  - (e) the Acquisitions collectively give rise to a realistic prospect of an SLC as a result of vertical effects in the supply of national commercial radio advertising resulting from the loss of FRS as a national advertising sales house.<sup>i</sup>
27. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). Bauer has until 31 July 2019 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Acquisitions pursuant to sections 22(1) and 34ZA(2) of the Act.

## ASSESSMENT

### Parties

28. Bauer is a multi-national media company with a varied portfolio that includes magazines, TV stations, digital products, and radio stations. In the financial year ended 31 December 2018, Bauer had total revenue of approximately [X] in the UK. Bauer's UK commercial radio operations generated revenue of approximately [X] in 2018.
29. Celador is a UK-headquartered media company with interests in film and television production, TV format licensing, and radio ownership and operation. Through Celador Radio Broadcasting Limited (**Celador Radio**), Celador owns 25 local FM radio licences, mainly in the South and East of England. The UK revenue of Celador's radio station businesses, in the financial year ending 30 September 2018, was approximately [X]. Of this total revenue, [X] was attributable to the Celador radio stations that have been acquired by Bauer.
30. Lincs is a UK-headquartered regional media company with interests in radio broadcasting in the Lincolnshire / South Yorkshire area. Lincs owns ten local FM radio licences, as well as a [X] interest in Ipswich 102 FM. Lincs also owns interests in the Lincolnshire and Suffolk digital multiplexes. The UK revenue of Lincs, in the financial year ending 30 September 2018, was approximately [X], of which [X] related to the Lincs stations that have been acquired by Bauer.
31. Wireless is a UK media company which is wholly-owned by News Corp UK and Ireland Limited (News UK), itself a subsidiary of the US-headquartered News Corporation. Wireless operates 32 national and local radio stations

across the UK and Ireland. Wireless also owns digital multiplexes in Stoke, Swansea and Bradford through its subsidiaries Switchdigital (B&H) Limited and Switchdigital (S&S) Limited. The UK revenue of the Wireless stations acquired by Bauer, in the financial year ending 30 June 2018, was approximately [REDACTED].

32. UKRD is a commercial radio broadcaster operating solely in the UK. It owns and operates ten local radio stations. In addition, UKRD operates an internet-only radio service, Encore Radio, featuring songs and news relating to musicals. UKRD has additional interests in three local multiplexes which cover the areas: North Yorkshire; Surrey and North Sussex; and Plymouth and Cornwall. The UK revenue of UKRD in the financial year ending September 2018 was approximately [REDACTED].

## Transactions

33. On 31 January 2019, Bauer bought from Celador 16 local radio stations and associated local FM radio licences. This comprises the entirety of Celador's radio business.
34. On 28 February 2019, Bauer bought from Lincs nine local radio stations and associated local FM radio licences, a [REDACTED] interest in an additional local radio station (and associated licences), and interests in the Lincolnshire [REDACTED] and Suffolk [REDACTED] digital multiplexes. This comprises the entirety of Lincs' radio business.
35. On 28 February 2019, Bauer bought from Wireless 12 local FM radio stations and associated licences, as well as digital multiplexes in Stoke, Swansea and Bradford. This comprises most of Wireless' local radio and local multiplex business interests. Beyond its national radio stations, Wireless retained a total of four local radio stations (located in either Scotland or Northern Ireland), as well as three local digital multiplex operators (London II, Central Scotland and Aberdeen).
36. On 31 March 2019, Bauer bought the entire issued share capital of UKRD. Bauer therefore became the owner of all of UKRD's assets, namely ten local FM radio stations and associated licences, interests in local multiplexes, and UKRD's 50% shareholding in FRS. FRS, which is 50% owned by Wireless, is a national sales house selling, for a commission, national airtime to media buying agencies on behalf of the local radio stations it currently represents.



## **Agreements with Nation**

37. On 31 January 2019, Bauer sold to Nation Broadcasting Limited (**Nation**), a media company which owns and operates radio stations in the UK, four broadcasting licences comprising two radio stations (Sam FM (Solent) and The Breeze (Winchester, Southampton and Portsmouth)). Bauer had bought these from Celador the same day. Bauer Radio therefore retained 21 broadcasting licences comprising 14 local radio stations from the Celador transaction.
38. On 28 February 2019, Bauer sold to Nation one broadcasting licence comprising one radio station (KCFM (Hull)). Bauer had bought this station and the associated licence from Lincs the same day. Bauer therefore retained nine broadcasting licences comprising eight local radio stations from the Lincs transaction, and a [REDACTED] interest in an additional local station.
39. [REDACTED].
40. [REDACTED].<sup>1</sup>

## **Procedure**

41. The CMA's mergers intelligence function identified three of the four Acquisitions as warranting an investigation.<sup>2</sup> Bauer notified the CMA of the UKRD acquisition on 28 May 2019.
42. The Acquisitions were considered at a Case Review Meeting.<sup>3</sup>

## **Jurisdiction**

43. Bauer and UKRD, as well as the acquired businesses of Celador, Lincs and Wireless, each constitute an enterprise. Bauer and the acquired business of Celador have ceased to be distinct as a result of the Celador Acquisition; Bauer and the acquired business of Lincs have ceased to be distinct as a result of the Lincs Acquisition; Bauer and the acquired business of Wireless have ceased to be distinct as a result of the Wireless Acquisition; and Bauer and UKRD have ceased to be distinct as a result of the UKRD Acquisition.
44. The Parties overlap in the supply of commercial radio services in the UK. The share of supply test is met for each Acquisition by reference to the Parties'

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<sup>1</sup> [REDACTED].

<sup>2</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraphs 6.9-6.19 and 6.59-60.

<sup>3</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, from paragraph 7.34.

combined share of total commercial radio revenues and commercial radio listening. The Parties submit that Bauer has shares of supply in excess of 25% in relation to each of commercial radio revenues and commercial radio listening.

45. Bauer's [20-30]% share of commercial radio revenues at the national level is increased by:
  - (a) [0-5]% from the Celador Acquisition;
  - (b) [0-5]% from the Lincs Acquisition;
  - (c) [0-5]% from the Wireless Acquisition; and
  - (d) [0-5]% from the UKRD Acquisition.
46. Bauer's 34.1% share of commercial radio listening at the national level is increased by:
  - (a) 1.1% from the Celador Acquisition;
  - (b) 1.1% from the Lincs Acquisition;
  - (c) 1.5% from the Wireless Acquisition; and
  - (d) 1.3% from the UKRD Acquisition.
47. The CMA therefore believes that the share of supply test in section 23 of the Act is met for each Acquisition.
48. The Celador Acquisition completed on 31 January 2019 and the CMA was first informed about it on 15 February 2019. The four-month deadline for a decision under section 24 of the Act is 31 July 2019, following extensions under section 25(2) of the Act.
49. The Lincs Acquisition completed on 28 February 2019 and the CMA was first informed about it on 28 February 2019. The four-month deadline for a decision under section 24 of the Act is 13 August 2019, following extensions under section 25(2) of the Act.
50. The Wireless Acquisition completed on 28 February 2019 and the CMA was first informed about it on 28 February 2019. The four-month deadline for a decision under section 24 of the Act is 13 August, following extensions under section 25(2) of the Act.
51. The UKRD Acquisition completed on 31 March 2019 and the CMA was first informed about it on 1 April 2019. The four-month deadline for a decision

under section 24 of the Act is 8 August 2019, following extensions under section 25(2) of the Act.

52. The CMA therefore believes that it is or may be the case that, in relation to each Acquisition, a relevant merger situation has been created.
53. The initial period for consideration of the Acquisitions under section 34ZA(3) of the Act started on 29 May 2019 and the statutory 40 working day deadline for a decision is therefore 24 July 2019.

## **Counterfactual**

54. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For completed mergers, the CMA generally adopts the pre-merger conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, absent the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.
55. The Parties submitted that the pre-Acquisitions situation should be considered as the counterfactual in this case.
56. The CMA has conducted a single substantive assessment of the Acquisitions. The CMA has assessed the impact of the Acquisitions against a counterfactual in which none of the Acquisitions take place (ie the conditions of competition pre-Acquisitions), which it considers, consistent with its Guidance,<sup>4</sup> to be the most competitive counterfactual that is realistic in this case.
57. The CMA has considered it appropriate to exclude Bauer's sale of three radio stations to Nation from the counterfactual, as the available evidence indicates that these were implemented as a result of the Acquisitions. However, as the sale of these three radio stations removed certain overlaps with Bauer's radio stations and, therefore, any possible horizontal unilateral effects in the sale of local advertising, the CMA considered that this sale did not raise competition concerns and it is not examined further in the decision. The CMA has also considered it appropriate to exclude the [redacted].

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<sup>4</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraph 4.3.5.

## Background to the radio industry

### Listening trends

58. Radio listening remains very popular in the UK. Around 90% of adults listen to radio every week, with the average listener consuming over 20 hours of radio each week.<sup>5</sup> The BBC continues to be popular (with a 51.9% share of all radio listening), but commercial radio has increased its relative share of listening in recent years. Most UK adults listen to a station owned by one of the two market leaders, Bauer and Global.<sup>6</sup>
59. Radio is listened to by all age groups. A [redacted] report notes that although there has been a slight decline in overall radio listening among listeners aged 15-24 (from 89% listening weekly in 2008 to 83% listening weekly in 2018), national commercial radio stations have increased their weekly reach in this age group (from 38% in 2008 to 42% in 2018).<sup>7</sup> Radio remains far more popular among all age groups than on-demand services, usage of which peaks at 39% among 15-25 year olds.<sup>8</sup> [redacted] predicts that radio will continue to perform well among younger demographics.<sup>9</sup> In comparison, TV watching by the youngest measured demographic decreased by 42% since 2010.<sup>10</sup>
60. The market reports reviewed by the CMA in assessing the Acquisitions described the commercial radio industry as “resilient” (Ofcom),<sup>11</sup> “very robust” [redacted]<sup>12</sup> and characterised by “revenue, reach and resilience” [redacted].<sup>13</sup> [redacted].<sup>14</sup> The [redacted] report notes that radio advertising spending in the UK increased by 12.5% between Q1 2017 and Q1 2018, and in Q1 2018 radio advertising was the fastest-growing type of advertising (outpacing even internet advertising).<sup>15</sup>

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<sup>5</sup> [UK Media Nations report, 2018, Ofcom, page 72. Communications Market Report 2019, Ofcom, page 6.](#) For radio listenership estimates, these reports (and other reports referred to in this section) ultimately rely on data collected by Radio Joint Audience Research Limited (RAJAR), a non-profit jointly owned by the BBC and the Radiocentre (a commercial radio industry association).

<sup>6</sup> [UK Media Nations report, 2018, Ofcom, pages 72-74.](#)

<sup>7</sup> [UK Media Nations report, 2018, Ofcom, page 73.](#)

<sup>8</sup> [redacted].

<sup>9</sup> [redacted].

<sup>10</sup> [redacted].

<sup>11</sup> [UK Media Nations report, 2018, Ofcom, page 7.](#)

<sup>12</sup> [redacted].

<sup>13</sup> [redacted].

<sup>14</sup> [redacted].

<sup>15</sup> [redacted].

## ***Analogue and digital broadcasting***

61. Radio stations broadcast on analogue and digital platforms. Analogue radio may be broadcast on either AM or FM frequencies, and digital radio may be broadcast over DAB, the internet or digital terrestrial television (DTT).<sup>16</sup>
62. The BBC and commercial radio operators broadcast via individual radio stations operating locally, regionally or nationally (depending on their broadcast coverage area). Not-for-profit community radio stations also broadcast locally.
63. Ofcom regulates both analogue and digital radio broadcasting. Ofcom issues broadcasting licences allowing the licence holder to broadcast in a specific area (protected from radio interference) in a specific format for a set period of time.
64. There has been a gradual shift from analogue to digital broadcasting in the UK, as broadcasters switch away from AM services to FM and digital services (which have better sound quality), and as DAB coverage grows and listeners increase their ownership of DAB radio sets.<sup>17</sup> In the long-term, the internet may become an important channel for radio listening, but (with less than 10% of radio listening taking place via the internet) it is currently significantly less popular than either DAB or analogue radio.<sup>18</sup>

## ***Digital switchover***

65. As radio listening moves to digital platforms, the UK Government may decide to switch off analogue services in the FM and AM bands in order to make the spectrum available for other purposes such as mobile broadband services. However, the Government has not announced plans to do so. The Government's Digital Radio Action Plan stated that a decision on whether to set a date for digital radio switchover would be considered when the following criteria are met:<sup>19</sup>
  - (a) When 50% of all radio listening is via digital platforms; and

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<sup>16</sup> Stations may broadcast via DAB using either standard DAB or DAB+. DAB+ is a more recent technical standard which uses lower bitrates and therefore less broadcasting capacity. However, DAB+ can only be received by DAB+ enabled radios, which the Parties submitted are currently a minority of DAB radio sets.

<sup>17</sup> [UK Media Nations report, 2018, Ofcom, pages 66-69.](#)

<sup>18</sup> [UK Media Nations report, 2018, Ofcom, pages 70.](#)

<sup>19</sup> [Digital Radio Action Plan, 2014.](#)

(b) When national DAB coverage is comparable to FM, and local DAB reaches 90% of the population and all major roads.

66. More than half of all radio listening is now via digital platforms, and DAB coverage continues to grow (although road coverage still varies considerably across the UK).<sup>20</sup>

### *Multiplexes*

67. A multiplex is a single frequency which can carry multiple DAB radio services to its broadcast area. Capacity is determined by bitrate (a higher bitrate will take more capacity), which each station can choose subject to available capacity on the multiplex.
68. Ofcom determines the areas for which multiplex licences will be awarded and awards them based on a competitive process (choice for listeners, coverage, etc). The majority of local multiplexes do not compete with each other, as they are assigned distinct local coverage areas. The multiplex operator contracts with individual radio services who seek carriage on the multiplex. Each licence has conditions requiring fair and effective competition pursuant to Section 316 of the Communications Act. These include the obligation not to discriminate unduly in the offering of or terms of any contract to provide radio service on the multiplex. The operator may provide its own radio services on a multiplex but must do so in a way that maintains fair and effective competition and avoids undue discrimination. Ofcom deals with any complaints about access to the multiplex or pricing.

### ***Local radio deregulation***

69. Currently, the range and quality of programming available to radio listeners are not solely determined by competition between commercial radio stations. Commercial radio operators' licence agreements include format requirements designed to ensure a variety of distinctive content. Local commercial radio stations are required to provide programmes including local material (typically news) and locally made programmes.
70. In 2017, the Department of Culture, Media and Sport (**DCMS**) consulted on the proposed deregulation of commercial radio.<sup>21</sup> Following the consultation, Ofcom has adjusted its localness guidelines on what defines local

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<sup>20</sup> *UK Media Nations report, 2018, Ofcom, page 70.* Also see Ofcom's digital radio market reports.

<sup>21</sup> *Commercial radio deregulation consultation: Government response, Department for Digital, Culture, Media and Sport, 18 December 2017, page 20.*

programming and how it needs to be provided.<sup>22</sup> The Government response to the consultation states that DCMS aims to bring forward deregulating legislation prior to the renewal of analogue licenses in 2022, although the legislation is “*complex*” and “*a major undertaking*” so will be brought forward “*when Parliamentary time allows*”.<sup>23</sup>

### **Commercial radio consolidation**

71. The Acquisitions occur in the context of what [redacted].<sup>24</sup>
72. Since 2008, Global and Bauer have grown their respective shares of commercial listening hours by approximately 38.4 percentage points and 8.8 percentage points, from 12.0% and 24.5% to 50.4% and 33.3%. Bauer and Global have each grown significantly by acquiring existing stations. This included (among others) Global’s acquisitions of Gcap and GMG in 2008 and 2012, respectively, and Bauer’s acquisitions of Absolute and Orion in 2014 and 2016.<sup>25</sup> [redacted],<sup>26</sup> [redacted].

### **Frame of reference**

73. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA has taken these factors into account in its competitive assessment.<sup>27</sup>

### **Product scope**

74. The Parties overlap in the supply of commercial radio services in the UK.
75. The Parties also supply multiplex services in the UK. Although the Acquired Multiplexes do not overlap with the local multiplexes already owned by Bauer,

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<sup>22</sup> [Localness Guidelines, Ofcom](#).

<sup>23</sup> [Commercial radio deregulation consultation: Government response](#), Department for Digital, Culture, Media and Sport, 18 December 2017, page 38.

<sup>24</sup> [redacted].

<sup>25</sup> OFT Case, [Global Radio UK Ltd / GCap Media plc](#), 8 August 2008; OFT Case, [Global Radio / GMG](#), 11 October 2012; OFT Case, [Bauer Radio Ltd / TIML Golden Square Ltd](#), 20 December 2013.

<sup>26</sup> [redacted].

<sup>27</sup> [Mergers: Guidance on the CMA’s jurisdiction and procedure](#) (CMA2), January 2014, paragraph 5.2.2.

multiplex services are also relevant to the CMA's assessment of the vertical effects of the Acquisitions.

### *Radio listening*

76. Commercial radio is a two-sided product. Suppliers compete to serve both advertisers (who pay to advertise) and listeners (who do not pay). The size of each group of customers affects the profitability of the radio station, because the value that advertisers realise from using the radio station depends on the volume of listeners it has.

### *The BBC*

77. The UK radio market is characterised by the presence of the public service broadcaster, the BBC, which provides radio listening to its audience without advertising.<sup>28</sup>
78. The BBC operates under the framework provided by the BBC Royal Charter and Agreement, which establishes quality and distinctiveness to be key characteristics of the output of BBC radio services across the whole of the UK.<sup>29</sup> The BBC is also regulated by Ofcom and subject to more stringent regulation than commercial radio stations in terms of distinctiveness, local content and local programming, including for its national stations such as Radio 1 and Radio 2.<sup>30</sup>
79. In assessing previous radio mergers, the CMA included the BBC in the listener side of the market.<sup>31</sup> The CMA has again followed this approach in this case.

### *Podcasts and music streaming services*

80. Listeners have access to an increasingly wide range of music and spoken word audio content, delivered on-demand over the internet. In previous radio

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<sup>28</sup> Public service radio stations, such as the BBC, are funded from the licence fee and do not carry commercial advertising.

<sup>29</sup> The BBC's public purposes are: (i) to provide impartial news and information to help people understand and engage with the world around them; (ii) to support learning for people of all ages; (iii) to show the most creative, high quality and distinctive output and services; (iv) to reflect and serve the diverse communities of all of the UK's nations and regions; and (v) to reflect the UK, its culture and values to the world.

<sup>30</sup> [BBC Operating Licence](#).

<sup>31</sup> CMA Case, [Global Radio / Juice](#), 5 October 2015, paragraph 19; Competition Commission case, [Global Radio / GMM](#), 21 May 2013, paragraph 5.6; OFT Case, [Bauer Radio Ltd / TIML Golden Square Ltd](#), 20 December 2013, paragraph 8.



mergers, the CMA excluded these from the market as radio listeners were more likely to switch to other radio stations than to switch to other media.<sup>32</sup>

81. In principle, the CMA recognises that a decline in radio services' quality could cause some users to switch to on-demand services. An [redacted] report states that on-demand audio is "*starting to compete more directly with radio*".<sup>33</sup> The CMA has not found evidence that this would be sufficient to deter a hypothetical radio monopolist from worsening its terms of service. This may be because of radio's role as a background accompaniment to existing activities; in this context, one industry report notes, for example, that [redacted].<sup>34</sup>
82. Accordingly, the CMA has not included podcasts and music-streaming services in the frame of reference for radio listeners.

#### *Conclusion on radio listening*

83. In previous radio mergers, the CMA considered that, given the presence and content requirements of BBC radio which offered a significant alternative to commercial radio, the interests of listeners were largely protected from the effect of a merger between commercial radio stations.<sup>35</sup> The CMA therefore focussed its analysis on radio advertising.
84. The CMA has followed the same approach in the present case.

#### *Commercial radio advertising*

##### *Types of radio advertising*

85. In previous commercial radio mergers, the CMA found that the two main revenue streams for commercial radio providers are the sale of airtime advertising (broadcast in programmed commercial breaks) and sponsorship and promotion (**S&P**), as set out further below.<sup>36</sup>

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<sup>32</sup> Competition Commission case, [Global Radio / GMG](#), 21 May 2013, paragraph 5.14. The OFT and CMA did not depart from this approach in the subsequent [Bauer Radio Ltd / TIML Golden Square Ltd](#) and [Global Radio / Juice](#) mergers.

<sup>33</sup> [redacted].

<sup>34</sup> [redacted].

<sup>35</sup> Competition Commission case, [Global Radio / GMG](#), 21 May 2013, paragraph 5.15; OFT Case, [Bauer Radio Ltd / TIML Golden Square Ltd](#), 20 December 2013, paragraph 8.

<sup>36</sup> CMA Case, [Global Radio / Juice](#), 5 October 2015, paragraphs 20-27 (providers may have ancillary revenues, such as some digital revenues); Competition Commission case, [Global Radio / GMG](#), 21 May 2013, paragraphs 5.17-5.20; OFT Case, [Bauer Radio Ltd / TIML Golden Square Ltd](#), 20 December 2013, paragraphs 10 and 11.

86. Advertisers seeking airtime typically either purchase this from media agencies or directly from the radio station/group, and airtime is accordingly sold on a contracted or non-contracted basis:
- Large radio groups typically enter into periodic contracts with the larger media agencies setting out the terms under which the agency may purchase airtime for their clients. This is referred to as **contracted airtime advertising**.
  - Smaller agencies and direct advertisers (ie advertisers which purchase directly from radio stations) typically negotiate to buy airtime on a campaign-by-campaign basis. This is referred to as **non-contracted airtime advertising**.
87. Sponsorship involves an advertiser associating its brand with a station or a particular feature of the radio station's programming. Promotion involves integrating the product/service being advertised into the programming (for example, competitions). S&P is purchased through media agencies and directly from the radio station/group. However, unlike some airtime advertising, S&P is generally purchased on a campaign-by-campaign basis rather than through periodically negotiated contracts. The CMA considers that, absent exceptional circumstances, the conditions of competition for airtime advertising and S&P advertising are similar, as advertisers have access to the same sets of stations supplying advertising.
88. The Parties' submissions were consistent with this characterisation of the market.
89. CMA did not receive evidence supporting a departure from the approach taken in previous radio mergers. Consistent with its approach in previous radio mergers, the CMA therefore did not consider contracted, non-contracted, and S&P advertising as separate frames of reference. However, the CMA has taken into account the existing alignments between contracted and non-contracted advertising and the particular levels of geographic radio advertising competition described below in its competitive assessment.

#### *Constraints from non-radio advertising*

90. In previous mergers between providers of commercial radio services, the CMA excluded non-radio advertising from its market definition.<sup>37</sup>

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<sup>37</sup> CMA Case, [Global Radio / Juice](#), 5 October 2015, paragraph 32; Competition Commission case, [Global Radio / GMG](#), 21 May 2013, paragraph 5.44; OFT Case, [Bauer Radio Ltd / TIML Golden Square Ltd](#), 20 December 2013, paragraph 38.

91. The Parties submitted that radio competes with other media for the allocation of advertising. The Parties submitted that advertisers are open-minded as to the channel through which they will run an S&P campaign and provided several examples of S&P campaigns in which Bauer pitched bids against other media. The Parties submitted that for airtime more generally, customers can threaten to switch part of their advertising budget to other media, such as online, and that for local advertising, local newspapers compete with radio advertising.
92. The Parties' customers (ie advertising agencies and direct purchasers of airtime) gave mixed views in responding to the CMA when asked whether radio advertising was a close alternative to other types of advertising. Some customers told the CMA that radio and other forms of advertising were alternatives. Several respondents mentioned local newspapers in particular in this regard. However, other respondents told the CMA that radio is a very different form of media, and that switching to different forms of advertising would not be appropriate. Several respondents commented on radio's relative cost-effectiveness as a form of advertising.
93. The Parties' internal documents [REDACTED]. In the round, however, the Parties' internal documents monitored other radio competitors [REDACTED] more closely than [REDACTED].<sup>38</sup>
94. The available evidence indicates that, in terms of local advertising, the extent to which an individual station will face a radio competitor with similar geographic coverage varies significantly in practice. The available evidence indicates that the extent of constraint from non-radio advertising will generally be greater where there is no other local radio station with comparable coverage.
95. On a cautious basis, the CMA has excluded non-radio advertising from its frame of reference. The CMA has considered the degree of weight that could be placed on out-of-market constraints from non-radio forms of advertising in its competitive assessment.

#### *Demographics and programming/formats*

96. Different radio stations broadcast different types of programme, which leads to differentiation in the demographics of listeners attracted to each radio station. Consistent with the approach adopted in previous decisions, the CMA

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<sup>38</sup> [REDACTED].

has taken this into account in its competitive assessment, rather than defining frames of reference for different demographics and formats.<sup>39</sup>

### *Multiplexes*

97. The Parties submitted that any assessment of the appropriate frame of reference for multiplexes should consider the extent of the constraint from analogue broadcasting. However, the Parties also submitted that Ofcom has indicated it will not issue new analogue licences. Multiplexes are therefore an important route to market for broadcasters. Although analogue broadcasting could, in principle, constrain providers of multiplex services, in practice the CMA notes that analogue broadcasting licences are rarely available in the UK (and entry therefore effectively requires the exit of an existing station). The CMA also notes that broadcasters launching a new station may prefer digital broadcasting to analogue broadcasting, in recognition of its technical advantages and in anticipation of a possible digital switchover in the UK. Therefore, the possibility of broadcasting radio stations over analogue frequencies instead of DAB does not in itself exclude the supply of commercial multiplex services from being a separate frame of reference.
98. The Parties submitted that alternative means of digital broadcasting (ie internet and DTT), which do not require purchase of multiplex capacity, are increasingly attractive to broadcasters. However, the CMA notes that DAB broadcasting remains substantially more popular than internet and DTT: in Q4 2018, 38% of radio listening was via DAB, 9% via the internet and 5% via DTT.<sup>40</sup> More than two-thirds of households have a DAB set, typically purchased for the specific purpose of DAB radio listening. Stations will therefore reach the broadest digital audience through DAB broadcasting. Given the importance of DAB, the possibility of broadcasting radio stations over internet and DTT as well as DAB does not in itself exclude the supply of commercial multiplex services from being a separate frame of reference.
99. On this basis, the CMA considered the frame of reference to be the supply of multiplex services.

### *Conclusion on product scope*

100. For the reasons set out above, the CMA has considered the impact of the Acquisitions in the following product frames of reference:

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<sup>39</sup> Competition Commission case, *Global Radio / GMG*, 21 May 2013, paragraphs 5.21-5.24; OFT Case, *Bauer Radio Ltd / TIML Golden Square Ltd*, 20 December 2013, paragraphs 14-15.

<sup>40</sup> *UK Media Nations report, 2018, Ofcom, page 70.*

- (a) the supply of commercial radio advertising; and
- (b) the supply of commercial multiplex services.

## **Geographic scope**

### *Radio advertising*

101. A radio station broadcasts nationally, regionally or locally over an area specified by its licence (this is known as its measured coverage area). In practice, a radio station's broadcasts typically reach a slightly broader area than this, and a station tracks its audience over this wider area known as its total survey area (**TSA**).<sup>41</sup> Some stations broadcast on multiple transmitters and can split their transmission, broadcasting different programming through each transmitter. This allows advertisers to purchase advertising across only part of the station's TSA.
102. Local stations are mandated by their licence to provide a minimum proportion of local content, such as local news. The extent to which national, regional and local stations are substitutes from the perspective of listeners depends in part on the similarity of their programming.
103. Advertisers place advertising as part of a campaign with the aim of reaching a particular geographic audience. Advertisers aiming to reach a national audience use media agencies, and therefore use contracted advertising. Advertisers aiming to reach regional or local audiences may use contracted or non-contracted advertising. The Parties submitted that (contracted) national and local airtime may be sold for advertising at the national level and that (non-contracted) local airtime may be sold on a local basis.
104. In previous radio mergers, the CMA found that national, regional and local stations can compete with each other, as there is no direct relationship between the scope of licence held and the scope of advertising campaigns offered.<sup>42</sup> Some national stations sell regional advertising, where they are able to split their transmission, and in some circumstances, regional stations can reduce their rates to attract local advertisers within a region. Bauer splits its stations' advertising between different local transmitters in several of its TSAs to attract local advertisers. Local stations frequently carry national advertising as part of a broader network. The distinctions between local, regional and national stations are therefore not necessarily reflected in clear-cut

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<sup>41</sup> This audience research is carried out by Radio Joint Audience Research Limited (RAJAR), a non-profit jointly owned by the BBC and the Radiocentre (a commercial radio industry association).

<sup>42</sup> CMA Case, *Global Radio / Juice*, 5 October 2015, paragraph 33; Competition Commission case, *Global Radio / GMG*, 21 May 2013, paragraphs 5.47-5.50.

distinctions in competitive dynamics. However, the importance of a station's geographic reach may vary depending on the type of campaign being advertised. For example, a local business may place more importance on broadcast location and advertisers looking for a targeted campaign will take into account the risk of avoidable wastage (from paying for advertising reaching an audience outside of the intended area).<sup>43</sup>

105. In previous mergers between providers of commercial radio services, the CMA and its predecessors have taken into account the importance of national, regional and local factors in its competitive assessment, while defining a single UK-wide radio advertising market.<sup>44</sup>
106. The Parties' submissions did not contest the approach applied in previous cases.
107. The CMA adopted the approach taken in previous radio mergers. In the context of the present case, this involved an assessment of the Acquisitions' impact on contracted airtime advertising and national S&P at the national level (**national radio advertising**), and an assessment of the Acquisitions' impact on non-contracted airtime advertising and local S&P at the local level (**local radio advertising**).

### *Multiplexes*

108. As with radio advertising, the supply of multiplex services can be local, regional or national. In Bauer/Absolute, the OFT assessed the market for commercial multiplex services in the area in which the Parties overlapped.
109. As with radio advertising, the distinctions between local, regional and national multiplexes may not necessarily translate to differences in the competitive dynamics between them. In principle, for example, multiple local multiplexes could be combined to compete with a regional or national multiplex.
110. The CMA therefore assessed commercial multiplex services as part of a single national geographic frame of reference, with reference to the relevant regional and local factors which applied to the case.

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<sup>43</sup> CMA Case, [Global Radio / Juice](#), 5 October 2015, paragraphs 45-48.

<sup>44</sup> CMA Case, [Global Radio / Juice](#), 5 October 2015, paragraph 35; Competition Commission case, [Global Radio / GMG](#), 21 May 2013, paragraph 5.44; OFT Case, [Bauer Radio Ltd / TIML Golden Square Ltd](#), 20 December 2013, paragraph 27.

## ***Conclusion on frame of reference***

111. For the reasons set out above, the CMA has considered the impact of the Acquisitions in the following frames of reference:
- (a) the supply of commercial radio advertising in the UK; and
  - (b) the supply of commercial multiplex services in the UK.
112. Consistent with the approach adopted in previous decisions, the CMA has assessed the effects of the Acquisitions in relation to national radio advertising and local radio advertising as part of its competitive assessment.

## **Competitive assessment**

### ***Theories of harm***

113. The CMA uses theories of harm to provide the framework for its assessment of the effects of a merger and whether or not it could lead to an SLC. They describe possible changes arising from the merger, any impact on rivalry and expected harm to customers as compared with the situation likely to arise without the merger.<sup>45</sup>
114. Given the Parties' presence in local radio advertising, national radio advertising and in the supply of multiplex services, the CMA considered the following theories of harm:
- (a) Horizontal unilateral effects in the supply of local radio advertising;
  - (b) Horizontal unilateral effects in the supply of national radio advertising;
  - (c) Vertical effects in the supply of local radio advertising as a result of the loss of FRS as a national advertising sales house; and
  - (d) Vertical effects as a result of Bauer's supply of multiplex services.

### ***Horizontal unilateral effects in the supply of local radio advertising***

115. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and

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<sup>45</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraph 4.2.1.

without needing to co-ordinate with its rivals. Horizontal unilateral effects are more likely when the merging parties are close competitors.

116. The CMA has assessed whether it is or may be the case that the Acquisitions may be expected to result in a SLC in relation to horizontal unilateral effects in the supply of local radio advertising in areas where the Parties overlap.
117. The CMA has assessed the horizontal overlaps at the local level arising from the combination of Bauer's existing portfolio of 64 local radio stations with 14 local radio stations acquired from Celador, nine local radio stations acquired from Lincs, 12 local radio stations acquired from Wireless and ten local radio stations from UKRD.<sup>46</sup>
118. The overlaps between the Parties' stations are listed in Annex 1.

#### *Assessing closeness of competition in local radio advertising*

119. Radio stations compete more closely if their stations are close alternatives for local advertisers, and local advertisers have few alternative ways to advertise as effectively.
120. Radio stations are close alternatives for local advertisers if they reach a similar listener audience. In previous decisions, the CMA and its predecessors have noted that advertising revenues are linked to the ability of radio stations to deliver audiences, particularly in terms of the volume of listeners.<sup>47</sup> In these decisions, the main factors that advertisers take into account when choosing between radio stations were identified to be: (a) the geographic coverage and the nature of the signal; (b) the size of the audience and the relative position of the station in the market; and (c) the demographics of the target audience.<sup>48</sup>
121. Consistent with its practice in previous radio mergers, to evaluate the extent to which radio stations reach similar listener groups (and therefore the extent to which they compete from the perspective of local advertisers) the CMA has taken into account the following three main factors:

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<sup>46</sup> As described above, although Bauer acquired 16 local radio stations from Celador, it divested 2 of these to Nation. Similarly, although it acquired ten from Lincs, it divested one to Nation. These 3 stations are not the subject of this theory of harm. The assessment takes into account the [X] interest acquired in the local radio station in Ipswich.

<sup>47</sup> CMA Case, [Global Radio / Juice](#), 5 October 2015, paragraph 40; Competition Commission case, [Global Radio / GMG](#), 21 May 2013, paragraph 5.25.

<sup>48</sup> CMA Case, [Global Radio / Juice](#), 5 October 2015, paragraph 40; Competition Commission case, [Global Radio / GMG](#), 21 May 2013, paragraph 6.96.



- (a) The extent to which radio stations' geographic broadcast areas overlap. In previous radio mergers, the CMA has found that direct advertisers seek to advertise on radio stations which cover their specific geographic area.<sup>49</sup> From the perspective of advertisers, stations' broadcast areas can overlap where: (i) their TSAs overlap; (ii) one or both stations offer split transmission, and one or more of each station's transmitters cover similar areas; or (iii) a collection of smaller stations' TSAs (or a collection of smaller transmitters) together overlap closely with a larger TSA (or transmitter).
- (b) Radio stations' relative audience sizes within a geographic area over which they compete. In previous radio mergers, the CMA has found that radio stations with significantly different audience sizes will be less close alternatives for advertisers, as they will represent different levels of commitment in terms of advertising spend in a particular area. Radio stations with greater audience penetration will (typically) charge more to advertisers than radio stations with fewer listeners in a given area.
- (c) The demographic (ie age and gender) profile of radio stations' listeners. In previous radio mergers, the CMA has found that many advertisers seek to reach particular listener demographics. Radio stations reaching significantly different demographics are therefore less close alternatives for advertisers. In practice, radio stations' audiences typically overlap significantly, as listeners are rarely heavily concentrated in a particular audience demographic. Furthermore, some advertisers place less weight on the demographic profile of the listener (as they are simply trying to reach all adults in an area).<sup>50</sup>

122. The Parties submitted that these three factors are relevant to assessing whether their stations are regarded as substitutes by local advertisers.
123. The Parties also submitted that advertisers value the programming context in which their advertising is presented to listeners. For example, the Parties told the CMA that a mobile phone advertiser might prefer to advertise with Bauer's Kiss FM because of its emphasis on contemporary dance music. The CMA has not found evidence that advertisers assign importance to such factors to the extent that these would overcome the geographic suitability, scale and demographic suitability of a particular station. Accordingly, the CMA has not placed material weight on the programming content of overlapping stations

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<sup>49</sup> CMA Case, [Global Radio / Juice](#), 5 October 2015, paragraph 46; Competition Commission case, [Global Radio / GMG](#), 21 May 2013, paragraph 6.96.

<sup>50</sup> Competition Commission case, [Global Radio / GMG](#), 21 May 2013, paragraph 5.24.

within its competitive assessment (but has, as noted above, taken into account the age and gender profile of each station).

124. The Parties submitted that the CMA should also take into account out-of-market constraints from other types of advertising. The Parties submitted several examples of local advertising customers switching to digital advertising or increased social media activity to support this position.
125. The CMA notes, however, that the evidence on the constraint posed by other forms of advertising is mixed (as described in paragraphs 90 to 95 above) and therefore is most consistent with the position that radio advertising still faces only limited competition from other forms of advertising. In this regard, none of the examples of switching submitted by the Parties appeared to be triggered by any change in competitive conditions, but rather could simply have reflected changes in the strategies and priorities of the advertisers involved.

#### *Measures of closeness of competition*

126. To measure geographic closeness of competition, the CMA centred its analysis on a given station's local area (referred to as the '**centroid station**'). The CMA has used three measures of the extent to which a given 'centroid' station's coverage overlaps with a competing station's coverage. The first measure is the percentage of the population in the centroid station's TSA that is covered by the overlapping competitor station's TSA (the **centroid overlap**). The second measures the percentage of the population in the competitor station's TSA that is covered by the centroid station's TSA (the **competitor overlap**). The third measure is simply the first measure multiplied by the second (the **joint overlap**). This joint overlap provides a combined measure of the extent to which two stations serve the same geographical area. The CMA also made reference to maps of stations' TSAs produced by the Parties and used the Radiocentre's mapping tool.
127. The CMA measured stations' relative audience sizes by assessing the share of commercial radio listening hours and revenue each station has within its TSA and within the TSAs of competing stations. The CMA used RAJAR data to estimate shares of supply of commercial listening hours. To estimate shares of supply by revenue for each centroid TSA, the CMA estimated each competing station's relevant revenue by allocating a proportion of their non-contracted revenue (as reported to Ofcom) equal to the proportion of that station's listener hours (as measured by RAJAR) that lay within the centroid TSA.
128. To assess the audience demographics of each station, the CMA reviewed evidence on the average age and gender of each station's listeners which

was submitted by the Parties.<sup>51</sup> As described above in paragraph 121, even where the average age and gender of audiences differ, there can be substantial overlap between these audiences. The CMA therefore treated this data with some caution.

129. As discussed further below, the CMA also considered cases where several stations of one party can compete with one or more stations of the other party, and where stations offer split transmission. The CMA adjusted its interpretation of the above measures (which typically relate to competition at the TSA level, ie between single stations) to take into account the specific circumstances of each area.
130. The Parties submitted data on advertisers' purchasing behaviour to inform the CMA's assessment of the extent of competition between, on the one hand, combinations of several smaller stations (or transmitters), and, on the other, a larger station (or transmitter). The CMA placed significant weight on this data where it included advertisers' spending on particular combinations of stations and transmitters. In some instances, the Parties only provided information on the proportion of a given set of advertisers using multiple stations or transmitters. The CMA attached less weight to this evidence, as it did not allow the CMA to infer the relevant spending on combinations of stations and transmitters. The CMA considers that advertisers' spending (rather than the absolute number of advertisers using a station) is the most relevant figure to assess stations' economic incentives.
131. The Parties also submitted data on advertisers' simultaneous use of overlapping stations, and suggested that [X] was consistent with an absence of competition between the Parties. The CMA considers that this data is not susceptible to clear interpretation. The CMA believes that advertisers may choose to advertise on only one of two radio stations because they are substitutes, and advertising on both would be redundant. This would imply that they are competitors. It cannot therefore be inferred that because advertisers do not advertise on both overlapping radio stations, those stations do not compete. Therefore, the CMA has not placed weight on this data in its assessment of local competition.

### *Filtering analysis*

132. The CMA applied an initial filter to rule out concerns in relation to certain overlaps between stations (subject to an additional cross-check, as described

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<sup>51</sup> Third Section 109 Response (8 May 2019), [Annex 14 - Demographics Charts](#).

below). The CMA considered, subject to this additional cross-check, that there would be no realistic prospect of an SLC for a given overlap where:

(a) The increment to the Parties' listening hours within each station's TSA was less than 5%; or

(b) The joint overlap measure between the stations was less than 25%.

133. The available evidence in this case indicates that a station with less than 5% of listening (or revenue) within its TSA is liable to be too small to exert a significant competitive constraint on its competitors. The CMA considered that there was no realistic prospect that such stations are a material constraint on other stations.
134. The available evidence also indicates that there is likely to be limited competition between stations with a joint overlap measure of less than 25%. For stations with equally-sized broadcast areas, a joint overlap measure of less than 25% means that less than half of their TSAs' populations overlap. Where stations have broadcast areas of very different sizes, a joint overlap measure of less than 25% denotes that one station that is completely within another's TSA would cover less than 25% of the larger station's TSA's population. In each case (and in circumstances between these two ends of the possible spectrum), the CMA believes that such stations are not likely to be meaningful alternatives for advertisers.
135. In keeping with its established practice, the CMA did not apply the initial filter described above in a mechanistic way and has conducted further investigation into areas where the available evidence indicated that competition concerns could arise, notwithstanding those areas "*passing*" the initial filter. In particular, as described below, the CMA assessed in detail several areas where combinations of stations or transmitters gave rise to potentially more problematic overlaps than the overlaps between individual stations at the TSA level.
136. The results of the filtering analysis are provided at Annex 1. The CMA identified 14 Bauer stations and 28 target stations which overlapped. Competition concerns were not ruled out by the initial filter in relation to five target stations overlapping with seven Bauer stations.
137. Where competition concerns in overlap areas could not be excluded by the initial filter, the CMA aggregated the affected stations into overlaps within which the CMA further considered the competitive effects of the Acquisitions, as described below. These overlaps are:

- (a) The **West of England** overlap between Celador’s The Breeze (South West) and Sam FM, and Bauer’s Kiss West;
- (b) The **West Midlands** overlap between Wireless’ Signal 107 and Bauer’s Free Radio FM (Birmingham & Black Country), Free Radio FM Shropshire and Free Radio FM (Hereford & Worcester);
- (c) The **North West of England** overlap between Wireless’ Wish FM and Bauer’s Rock FM; and
- (d) The **Yorkshire** overlap between Lincs’ Ridings FM and Bauer’s Greatest Hits Radio (West Yorkshire) and Radio Aire.

138. In two cases, in addition to considering the overlaps between individual stations, the CMA considered the overlaps between groups of target stations and Bauer’s local station. In such circumstances, the available evidence indicates that advertisers may have the ability to switch between one local station with a broad TSA and a group of stations which together cover a similar area, even where none of the smaller stations would be an individual substitute for the station with a broad TSA. The CMA therefore considered in further detail the following overlaps:

- (a) The **East of England** overlap between Celador’s Radio Norwich, The Beach, Town 102, North Norfolk and Dream stations, Lincs’ Ipswich FM and Bauer’s Kiss East; and
- (b) The **Yorkshire** overlap between Lincs’ Dearne FM, Rother FM and Trax FM and Bauer’s Hallam FM.

*In-depth assessment of local areas*

*West of England*

139. In the West of England, Celador’s The Breeze (South West) and Sam FM overlap with Bauer’s Kiss West. Therefore, the CMA has assessed the impact of the Celador Acquisition in the West of England. Shares of supply are set out below.

**Table 1: Shares of supply of commercial radio in the West of England**

Share of supply of commercial radio by listening hours			
Radio station	Sam FM TSA	The Breeze (South West) TSA	Kiss West TSA
Heart West Country (Global)	45%	48%	27%
Smooth Radio West Country (Global)	11%	10%	5%
Heart South Wales (Global)	-	-	15%

Smooth Radio South Wales (Global)	-	-	7%
<i>Total Global</i>	57%	59%	55%
Nation Radio South Wales (Nation Broadcasting)	-	-	2%
106.3 Bridge FM (Nation Broadcasting)	-	-	1%
Dragon Radio Wales (Nation Broadcasting)	-	-	1%
<i>Total Nation Broadcasting</i>	-	-	5%
Capital South Wales (Communicorp)	-	-	13%
Sam FM (Celador)	12%	9%	3%
The Breeze South West (Bristol/ Bath/ WSM) (Celador)	8%	11%	4%
The Breeze (Yeovil/ Shaftesbury/ Bridgwater) (Celador)	-	-	3%
<i>Total Celador</i>	20%	20%	11%
Kiss West (Bauer) <sup>52</sup>	23%	21%	22%
<i>Combined Bauer and Celador</i>	43%	41%	33%
<b>Share of supply of commercial radio by revenue</b>			
	<b>Sam FM</b>	<b>The Breeze (South West) TSA</b>	<b>Kiss West</b>
Heart West Country (Global)	[60-70]%	[60-70]%	[30-40]%
Smooth Radio West Country (Global)	[0-5]%	[0-5]%	[0-5]%
Heart South Wales (Global)	-	-	[30-40]%
Smooth Radio South Wales (Global)	-	-	[0-5]%
<i>Total Global</i>	[60-70]%	[60-70]%	[60-70]%
Nation Radio South Wales (Nation Broadcasting)	-	-	[0-5]%
106.3 Bridge FM (Nation Broadcasting)	-	-	[0-5]%
Dragon Radio Wales (Nation Broadcasting)	-	-	[0-5]%
<i>Total Nation Broadcasting</i>	-	-	[0-5]%
Capital South Wales (Communicorp)	-	-	[10—20]%
Sam FM (Celador)	[10—20]%	[5-10]%	[0-5]%
The Breeze (South West) (Celador)	[10—20]%	[10—20]%	[0-5]%
<i>Total Celador</i>	[20-30]%	[20-30]%	[5-10]%
Kiss West (Bauer)	[10—20]%	[10—20]%	[10—20]%
<i>Combined Bauer and Celador</i>	[30-40]%	[30-40]%	[10—20]%

140. The CMA estimates that the Parties will have a combined share of the supply of 43% by listening hours and [30-40]% by revenue in Sam FM's TSA, post-Acquisitions, with a significant increment to Bauer's previous share of supply. The competitive situation is similar in The Breeze (South West) TSA. As Kiss West has a broader TSA, more competitors are present, and the Parties have a lower share of supply.

141. The CMA considers that the Parties' combined share of supply is high enough to raise prima facie competition concerns.

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<sup>52</sup> Kiss West's shares of supply have been adjusted to reflect only FM transmission, as Kiss West's DAB listeners can only be reached with national advertising.

142. Kiss West's TSA covers 100% of the Sam FM TSA, Sam FM covers 33% of the Kiss West TSA. The Breeze (South West)'s TSA is also entirely covered by Kiss West's TSA, and covers 44% of Kiss West's TSA.<sup>53</sup> Celador's stations and Bauer's Kiss West are therefore somewhat differentiated by their geographic coverage, as Kiss West can be used to reach a broader audience, but both are centred on the region around Bristol, and can therefore compete for listeners there. The Breeze (Yeovil/Shaftesbury/Bridgwater) also overlaps with Kiss West. However, it covers only 13% of Kiss West's TSA's population, and is therefore very significantly differentiated.
143. Listeners to Kiss West are on average around 30-35, slightly younger than listeners to Sam FM (average age around 40) or The Breeze (South West) (average age around 45). All of these stations' audiences are approximately evenly split between male and female listeners.
144. The only remaining competitor in the Sam FM and The Breeze (South West) TSAs would be Global's Heart West Country (and, to a lesser extent, Global's Smooth Radio West Country), which would continue to be the largest commercial radio station in the area. 31% of Heart West Country's listening hours come from the Sam FM Bristol TSA. Heart can split its transmission across multiple licences, making it a close competitor to Celador's stations. The CMA believes that by combining its West Country and South Wales stations, Global can compete closely with Kiss West. The CMA considers that other competitors to Kiss West in South Wales could be combined with Sam FM and The Breeze (South West), if an advertiser wants to reach a broadcast area more similar to that of Kiss West.
145. The Parties submitted that the divergence in audience age profiles between the Parties' stations, and the larger area reached by Kiss West, meant that they cannot be considered to be viable alternatives for local advertisers. However, the available evidence indicates that the Parties' stations have sufficiently similar coverage that some advertisers are likely to consider them to be close substitutes. Despite the difference in audience age profiles, given the similar geographic coverage of Celador's and Bauer's stations, the CMA considers the Parties' stations to be close competitors. The CMA noted the presence of Global, but placed weight on the absence of any other competitor from the targets' TSAs.

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<sup>53</sup> For completeness, the joint overlaps are therefore also 33% for Sam FM and Kiss West, and 44% for The Breeze (South West) and Kiss West.

*Conclusion on horizontal unilateral effects in the West of England*

146. On the basis of the evidence set out above, including evidence on the Parties' material combined market share, the closeness of competition between the Parties' stations, and the presence of only one other commercial radio competitor in the targets' TSAs, the CMA considered that the Celador Acquisition would lead to a material change in the market structure and to a loss of a significant competitive constraint in the West of England area. Accordingly, the CMA found that the Celador Acquisition raises significant competition concerns as a result of horizontal unilateral effects in relation to the supply of commercial radio advertising in the West of England, owing to the overlap between Celador's Sam FM and The Breeze (South West) and Bauer's Kiss West.

*West Midlands*

147. In the West Midlands, Wireless' Signal 107 overlaps with Bauer's Free Radio FM (Birmingham & Black Country), Free Radio FM (Shropshire) and Free Radio FM (Herefordshire & Worcestershire) TSAs. Therefore, the CMA has assessed the impact of the Wireless Acquisition in the West Midlands. Shares of supply are set out below.

**Table 2: Shares of supply of commercial radio in Signal 107's TSA**

<b>Share of supply of commercial radio by listening hours</b>				
<b>Radio station</b>	<b>Signal 107</b>	<b>Free Radio FM (Birmingham &amp; Black Country)</b>	<b>Free Radio FM (Herefordshire &amp; Worcestershire)</b>	<b>Free Radio FM (Shropshire)</b>
Capital Birmingham (Global)	18%	12%	-	-
Heart West Midlands (Global)	14%	29%	8%	10%
Smooth Radio West Midlands (Global)	14%	25%	12%	17%
Capital North West and Wales (Global)	-	-	-	1%
Heart North West (Global)	-	-	-	1%
Smooth Radio North West	-	-	-	-
<i>Total Global</i>	<b>46%</b>	<b>72%</b>	<b>20%</b>	<b>29%</b>
<i>Heart North Wales (Communicorp)</i>	-	-	-	6%
Smooth Radio North West and Wales (Global)	-	-	-	<1%
Smooth Radio North West (Communicorp)	-	-	-	<1%
Total Communicorp	-	-	-	6%
102 Touch FM - Warks Worcs Cotswolds (Quidem)	-	<1%	11%	-
Touch FM Staffs (Quidem)	-	<1%	-	-
<i>Total Quidem</i>	-	1%	11%	-
Signal 107 (Wireless)	<b>8%</b>	1%	<b>10%</b>	6%
Signal One	-	1%	-	<1%
Signal 80's (Wireless)	-	<1%	-	-
<i>Total Wireless</i>	<b>8%</b>	<b>2%</b>	<b>10%</b>	<b>6%</b>
Free Radio FM (Birmingham & Black Country) (Bauer)	<b>14%</b>	12%	-	-
Free Radio FM (Shropshire) (Bauer)	<b>11%</b>	-	-	50%



Absolute Radio (West Midlands) (Bauer)	14%	9%	7%	6%
Free Radio FM (Herefordshire & Worcestershire) (Bauer)	2%	-	46%	-
Free Radio 80s (Birmingham & Black Country) (Bauer)	<1%	4%	-	-
Greatest Hits Radio (Heref & Worcs) (surveyed as Free Radio 80s (Herefordshire & Worcestershire)) (Bauer)	-	-	6%	-
Free Radio 80s (Shropshire) (Bauer)	-	-	-	3%
<i>Total Bauer</i>	45%	25%	59%	59%
<i>Combined Bauer and Wireless</i>	53%	27%	69%	65%
<b>Share of supply of commercial radio by revenue</b>				
<b>Radio station</b>	<b>Signal 107</b>	<b>Free Radio FM (Birmingham &amp; Black Country)</b>	<b>Free Radio FM (Herefordshire &amp; Worcestershire)</b>	<b>Free Radio FM (Shropshire)</b>
Capital Birmingham (Global)	[10—20]%	[20-30]%	-	-
Heart West Midlands (Global)	[10-20]%	[30-40]%	[10—20]%	[5-10]%
Smooth Radio West Midlands (Global)	[5-10]%	[10—20]%	[5-10]%	[5-10]%
Capital North West and Wales (Global)	-	-	-	[0-5]%
Heart North West (Global)	-	-	-	[0-5]%
Smooth Radio North West	-	-	-	-
<i>Total Global</i>		[60-70]%		
Heart North Wales (Communicorp)	-	-	-	[0-5]%
Smooth Radio North West and Wales (Global)	-	-	-	[0-5]%
Smooth Radio North West (Communicorp)	-	-	-	[0-5]%
<i>Total Communicorp</i>	-	-	-	[0-5]%
102 Touch FM - Warks Worcs Cotswolds (Quidem)	-	missing data	missing data	-
Touch FM Staffs (Quidem)	-	missing data	-	-
<i>Total Quidem</i>	-	missing data	missing data	-
Signal 107 (Wireless)	[5-10]%	[0-5]%	[10—20]%	[0-5]%
Signal One	-	[0-5]%	-	[0-5]%
Signal 80's (Wireless)	-	[0-5]%	-	-
<i>Total Wireless</i>	[5-10]%	[0-5]%	[10—20]%	[0-5]%
Free Radio FM (Birmingham & Black Country) (Bauer)	[20-30]%	[20-30]%	-	-
Free Radio FM (Shropshire) (Bauer)	[20-30]%	-	-	[70-80]%
Absolute Radio (West Midlands) (Bauer)	[5-10]%		[5-10]%	[0-5]%
Free Radio FM (Herefordshire & Worcestershire) (Bauer)	[0-5]%	-	[50-60]%	-
Free Radio 80s (Birmingham & Black Country) (Bauer)	[0-5]%	[0-5]%	-	-
Greatest Hits Radio (Heref & Worcs) (surveyed as Free Radio 80s (Herefordshire & Worcestershire)) (Bauer)	-	-	[0-5]%	-
Free Radio 80s (Shropshire) (Bauer)	-	-	-	[0-5]%
<i>Total Bauer</i>	[50-60]%	[30-40]%	[60-70]%	[70-80]%
<i>Combined Bauer and Wireless</i>	[60-70]%	[30-40]%	[70-80]%	[80-90]%

148. The CMA estimates that the Parties will have a combined share of supply of over 50% by listening hours and [50-60]% by revenue in the Signal 107 TSA,

with a moderate increment resulting from the Acquisitions. As is described below, the CMA focused its assessment of the Parties' overlaps in the West Midlands at the licence level, rather than the TSA. It did so because of the Parties' ability to [REDACTED].<sup>54</sup> The CMA has therefore placed less weight on the shares of supply set out in the table above within its competitive assessment than in other areas.

149. The available evidence indicates that Signal 107's low shares of listening hours and revenue limit its ability to compete with Bauer and Global across the whole of its broad TSA, an area covering 1.04 million people. However, the CMA found that at a more local level, Signal 107's licences for Shrewsbury and Telford overlap closely with Bauer's Free Radio (Shropshire). Signal 107's licence for Wolverhampton overlaps closely with Bauer's Free Radio FM (Birmingham & Black Country)'s Wolverhampton licence area. Additionally, Signal 107's licence for Kidderminster overlaps with much of Bauer's Worcester licence, part of its Free Radio FM (Herefordshire & Worcestershire) TSA. The CMA assessed whether the Parties compete closely for advertising customers within these smaller areas.
150. Demographically, the CMA found that the Parties' stations attract similar audiences. Signal 107, Free Radio FM (Birmingham & Black Country) and Free Radio FM (Shropshire) all attract an audience with an average age of around 35-40, while listeners to Free Radio FM (Hertfordshire & Worcestershire) are slightly older (averaging around 40-45). The CMA found that Signal 107, Free Radio FM (Birmingham & Black Country) and Free Radio FM (Herefordshire & Worcestershire) attract an audience which is split evenly between male and female listeners, while Free Radio FM (Shropshire)'s audience is around 60% female.
151. The Parties submitted that Signal 107 cannot be considered to offer a credible alternative to Bauer for local or regional advertisers, given its different geographical focus and minimal presence in the TSAs of Bauer's local stations. However, as described above, the CMA considers that at the licence level, Bauer's stations are likely to compete closely with Signal 107.
152. The available evidence indicates that Global's stations are significantly differentiated from Bauer's stations and Wireless' stations in the West Midlands:
  - (a) Geographically, Capital covers a wide region which spans over Wolverhampton and Birmingham. Heart and Smooth cover an even wider area than Capital. They cover Telford, Kidderminster, Wolverhampton,

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<sup>54</sup> [REDACTED].

Birmingham and Coventry. None of Global's stations in this region cover Shrewsbury or Telford. Where the Parties' licences overlap with each other and a Global station, the Global station also transmits to other cities.<sup>55</sup>

(b) Demographically, Global's Capital Birmingham and Smooth Radio West Midlands are both differentiated from the Parties' local stations, although Global's Heart West Midlands attracts a similar listener demographic to Wireless' Signal 107 and Bauer's local stations. Most stations in the TSA attract listeners with an average age of approximately 40, and a balance of male and female listeners. Capital Birmingham tends to attract a younger, male audience while Smooth Radio West Midlands tends to attract an older, female audience.

153. The Parties submitted that non-radio local advertising media compete with Signal 107 more closely than Bauer's stations, and highlighted Midlands News Association as a strong constraint. However, the CMA did not find sufficient evidence to place material weight on constraints from non-radio advertising in the West Midlands.

#### *Shropshire*

154. Bauer's Free Radio FM (Shropshire) and Wireless' Signal 107 (through the combination of its Shrewsbury and Telford transmitters) are the only radio stations which allow advertisers to target audiences in Shropshire.

155. The Parties submitted Signal 107's 2018 revenue data showing that advertisers advertising on the combination of Shrewsbury and Telford transmitters spent [REDACTED]. Similarly, advertisers using each of the Shrewsbury and Telford transmitters (exclusively) spent [REDACTED] and [REDACTED], respectively. Advertisers spent [REDACTED] on Free Radio FM (Shropshire). The Parties submitted that this shows that the Parties' stations do not compete meaningfully. However, the available evidence indicates that advertisers' spending on the relevant Signal 107 transmitters is material, relative to their spending with Free Radio FM (Shropshire), and that some advertisers are likely to consider the two to be substitutes. Furthermore, the available evidence indicates that some advertisers using all four Wireless transmitters (such advertisers spent [REDACTED] in 2018) may also have been primarily targeting Shropshire.

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<sup>55</sup> The CMA did not find evidence that Global has the ability to transmit advertising to smaller local areas within the West Midlands.

### *Wolverhampton*

156. The available evidence indicates that Bauer's Free Radio Black Country transmitter and Signal 107's Wolverhampton transmitter both cover Wolverhampton and the surrounding area. Bauer's Free Radio FM (Birmingham & Black Country) and Signal 107 are therefore the only radio stations allowing advertisers to target Wolverhampton.
157. The available evidence indicates that Bauer's transmitter reaches around 60% of the population in Signal 107's transmitter's area. Bauer's Free Radio FM (Birmingham & Black Country) and Signal 107 are therefore somewhat differentiated, but both cover the centre of Wolverhampton. In addition, the available evidence indicates that the transmitters are associated with [REDACTED], suggesting that they are capable of exerting a material constraint on each other; advertisers using only Signal 107's Wolverhampton transmitter spent approximately [REDACTED] in 2018, while advertisers spent around [REDACTED] on Bauer's Free Radio Black Country transmitter. The CMA therefore considers that some advertisers (for example, local businesses based in Wolverhampton) are likely to consider the two transmitters to be substitutes.
158. The Parties submitted that the Black Country has not been a focus for its station, and that only [REDACTED] advertisers purchased campaigns targeting both transmitters. However, as described in paragraph 130, the CMA does not believe that this type of evidence demonstrates a lack of competition between the Parties' stations.
159. Given that the Parties are the only radio competitors targeting Wolverhampton, the CMA considers them to be closest competitors in this area.

### *Kidderminster*

160. The available evidence indicates that Signal 107 has one transmitter targeting Kidderminster, which partially overlaps with Bauer's Free Radio FM (Herefordshire & Worcestershire)'s Worcestershire transmitter. However, this transmitter targets a much broader area, which includes Worcester, such that the Parties are significantly geographically differentiated.
161. Accordingly, the CMA does not consider the Parties to be close competitors in this area.

*Conclusion on horizontal unilateral effects in the West Midlands*

162. On the basis of the evidence set out above, including evidence on the closeness of competition between the Parties (particularly when evaluated at local level in Shropshire and Wolverhampton) and the presence of only one other, highly differentiated, competitor, the CMA believes the Wireless Acquisition would lead to a significant change in the market structure and to a loss of a significant competitive constraint in the West Midlands area. Accordingly, the CMA found that the Wireless Acquisition raises significant competition concerns as a result of horizontal unilateral effects in relation to the supply of commercial radio advertising in the West Midlands, owing to the overlaps between Wireless' Signal 107 and Bauer's Free Radio FM (Birmingham & Black Country) and Free Radio FM (Shropshire).

*North West of England*

163. In the North West of England, Wireless' Wish FM and Radio Wave overlap with Bauer's Rock FM. Therefore, the CMA has considered the competitive impact of the Wireless Acquisition in the North West of England. Shares of supply are set out below.

**Table 3: Shares of supply of commercial radio in the North West of England**

<b>Share of supply of commercial radio by listening hours</b>		
<b>Radio station</b>	<b>Rock FM</b>	<b>Wish FM</b>
Heart North West (Global)	22%	25%
Capital Manchester (Global)	3%	14%
Radio X Manchester (Global)	<1%	6%
Gold Manchester (Global)	-	6%
<i>Total Global</i>	<b>30%</b>	<b>50%</b>
Smooth Radio North West (Communicorp)	32%	31%
XS Manchester (Communicorp)	-	1%
<i>Total Communicorp</i>	<b>32%</b>	<b>32%</b>
Rock FM (Bauer)	21%	5%
Radio City (Bauer)	1%	3%
Radio City talk (Bauer)	<1%	<1%
Greatest Hits Radio (Lancashire) (surveyed as Rock FM 2) (Bauer)	-	<1%
Greatest Hits Radio (L'pool N-West & N.Wales) (surveyed as Radio City 2) (Bauer)	-	2%
Greatest Hits Radio (Manchester) (surveyed as Key Radio) (Bauer)	-	<1%
<i>Total Bauer</i>	<b>30%</b>	<b>10%</b>
Wish FM (Wireless)	3%	7%
Radio Wave FM (Wireless)	4%	-
107.2 Wire FM (exWireless)	-	<1%
107.4 Tower FM (exWireless)	-	<1%
<i>Total Wireless</i>	<b>7%</b>	<b>7%</b>
<i>Combined Bauer and Wireless</i>	<b>37%</b>	<b>17%</b>
<b>Share of supply of commercial radio by revenue</b>		

<b>Radio station</b>	<b>Rock FM</b>	<b>Wish FM</b>
Heart North West (Global)	[40-50]%	[30-40]%
Capital Manchester (Global)	[5-10]%	[10-20]%
Radio X Manchester (Global)	[0-5]%	[20-30]%
Gold Manchester (Global)	-	[0-5]%
<i>Total Global</i>	[50-60]%	[70-80]%
Smooth Radio North West (Communicorp)	[10-20]%	[10-20]%
XS Manchester (Communicorp)	-	[0-5]%
<i>Total Communicorp</i>	[10-20]%	[10-20]%
Rock FM (Bauer)	[10-20]%	[0-5]%
Radio City (Bauer)	[0-5]%	[0-5]%
Radio City talk (Bauer)		[0-5]%
Greatest Hits Radio (Lancashire) (surveyed as Rock FM 2) (Bauer)	-	[0-5]%
Greatest Hits Radio (L'pool N-West & N.Wales) (surveyed as Radio City 2) (Bauer)	-	[0-5]%
Greatest Hits Radio (Manchester) (surveyed as Key Radio) (Bauer)	-	[0-5]%
<i>Total Bauer</i>	[10-20]%	[5-10]%
Wish FM (Wireless)	[5-10]%	[10-20]%
107.2 Wire FM (exWireless)	-	[0-5]%
107.4 Tower FM (exWireless)	-	[0-5]%
Radio Wave FM (Wireless)	[0-5]%	-
<i>Total Wireless</i>	[10-20]%	[10-20]%
<i>Combined Bauer and Wireless</i>	[30-40]%	[10-20]%

164. The CMA estimated that the Parties have a combined share of supply of 37% by listening hours and [30-40]% by revenue in the Rock FM TSA, and a combined share of supply of 17% by listening hours and [10-20]% by revenue in the Wish FM TSA. There is a moderate increment to the Parties' existing shares of supply in the Rock FM TSA and in the Wish FM TSA.
165. The Parties would have higher combined shares of supply in the Radio Wave FM TSA of 61% by listening hours and [40-50]% by revenue. However, they have a joint overlap measure of only 21%, and the CMA believes they are therefore significantly geographically differentiated.
166. Rock FM's TSA covers 85% of Wish FM's TSA's population, while Wish FM's TSA covers 31% of Rock FM's TSA's population. The joint overlap measure for Rock FM and Wish FM is therefore 27%. On the basis of this evidence, the CMA considers that Wish FM is also geographically differentiated from Rock FM.
167. The CMA also found that the Parties' stations are also somewhat differentiated by demographics, as Wireless' stations attract audiences with an average age of approximately 40-45, while Rock FM attracts an audience with an average age of 35-40 and which is more male.

168. The Parties submitted that, within each TSA, the share of Wireless' stations is minor, and that the Parties' stations target different demographic groups, limiting the scope for substitution between the stations by local advertisers.
169. The CMA considers that Global and Communicorp will continue to have a significant presence, with shares of [50-60]% and [10-20]% by revenue, respectively, in the Rock FM TSA, a similar presence in the Wish FM TSA and a slightly smaller presence in the Radio Wave TSA, although all of their stations also transmit to somewhat different areas from those of the Parties. The CMA found that Global and Communicorp stations are also differentiated demographically from Rock FM, as no station other than Rock FM targets a mainly young, male audience in its TSA, but that they reach a similar audience demographic to Radio Wave and Wish FM.

*Conclusion on horizontal unilateral effects in the Northwest of England*

170. For the reasons set out above, including the Parties' modest combined shares of supply, the Parties' geographic and demographic differentiation and the presence of two other strong competitors in the area, the CMA believes that the Wireless Acquisition does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of commercial radio advertising in the North West of England.

*East of England*

171. In the East of England, Celador's Radio Norwich, The Beach, Town 102, North Norfolk and Dream collectively overlap with Bauer's Kiss East. Therefore, the CMA has considered the impact of the Celador Acquisition in the East of England. As described above, the overlap between any of the Parties' stations individually did not raise concerns. However, the available evidence indicates that advertisers may be able to switch between advertising in Kiss East's Norfolk and Suffolk licence area and advertising with Celador's group of local stations. On this basis, the CMA found that the overlap between the Parties' stations is significant. Shares of supply are set out below.

**Table 4: Shares of supply of commercial radio in the East of England**

<b>Share of supply of commercial radio by listening hours</b>		
<b>Radio station</b>	<b>Combined Celador TSAs</b>	<b>Kiss East TSA</b>
Heart East Anglia (Global)	34%	22%
Smooth Radio East Anglia (Global)	10%	7%
Heart Essex (Global)	6%	4%
Heart Cambridgeshire (Global)	-	16%
Smooth Radio Cambridgeshire	-	
Heart Four Counties (Global)	-	<1%

Smooth Radio Essex (Global)	-	<1%
<i>Total Global</i>	51%	53%
Connect FM (Communicorp)	-	31%
Star Radio (Cambridge and Ely)	-	<1%
Radio Essex (Adventure)	1%	<1%
KL.FM 96.7 (UKRD)	<1%	9%
Town 102 (Celador)	5%	2%
Radio Norwich (Celador)	6%	2%
The Beach (Celador)	11%	7%
Dream 100 (Celador)	7%	1%
North Norfolk (Celador)	3%	0%
<i>Total Celador</i>	32%	13%
Kiss (East) (Bauer) <sup>56</sup>	24%	19%
<i>Combined Bauer and Celador</i>	53%	32%
<i>Combined Bauer, Celador and UKRD</i>	53%	41%
<b>Share of supply of commercial radio by revenue</b>		
	<b>Combined Celador TSAs</b>	<b>Kiss East TSA</b>
Heart East Anglia Country (Global)	[30-40]%	[30-40]%
Smooth Radio East Anglia (Global)	[0-5]%	[20-30]%
Heart Essex (Global)	[5-10]%	[5-10]%
Heart Cambridgeshire (Global)	-	[20-30]%
Smooth Radio Cambridgeshire	-	[0-5]%
Heart Four Counties (Global)	-	[0-5]%
Smooth Radio Essex (Global)	-	-
<i>Total Global</i>	[40-50]%	[60-70]%
Connect FM (Communicorp)	-	[0-5]%
Star Radio (Cambridge and Ely)	-	[0-5]%
Radio Essex (Adventure)	[0-5]%	[0-5]%
KL.FM 96.7 (UKRD)	[0-5]%	[0-5]%
Town 102 (Celador)	[10-20]%	[5-10]%
Radio Norwich (Celador)	[10-20]%	[5-10]%
The Beach (Celador)	[5-10]%	[5-10]%
Dream 100 (Celador)	[10-20]%	[0-5]%
North Norfolk (Celador)	[0-5]%	[0-5]%
<i>Total Celador</i>	[40-50]%	[20-30]%
Kiss (East) (Bauer)	[5-10]%	[10-20]%
<i>Combined Bauer and Celador</i>	[50-60]%	[30-40]%
<i>Combined Bauer, Celador and UKRD</i>	[50-60]%	[30-40]%

172. The CMA estimates that the Parties would have a combined share of supply of over 50% by both listening hours and revenue, after the Acquisitions, in the Celador stations' TSAs, with a significant increment to Celador's previous share of supply. However, as described below, these shares of supply are at a more granular level than the region in which the Parties compete.

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<sup>56</sup> Kiss East's shares of supply have been adjusted to reflect only FM transmission, as Kiss East's DAB listeners can only be reached with national advertising.



173. Given the narrow geographic overlap between UKRD's KL.FM and the Parties' other stations in the East of England, and its low revenue, the CMA does not consider that KL.FM exerts a strong competitive constraint on the Parties' other stations.
174. Town 102 FM lost its FM broadcast licence to Ipswich 102 FM in October 2018. Bauer will acquire a [redacted] interest in Ipswich 102 FM through the Lincs Acquisition. For the purposes of its competitive assessment, the CMA considered that Town 102's existing presence (and, in particular, its existing market shares) are likely to be an appropriate proxy for the competitive strength of Ipswich 102 going forward, and the CMA treated it as part of the combined entity after the Acquisitions.
175. Kiss East's TSA covers 88% of the Radio Norwich, The Beach, Town 102, North Norfolk and Dream combined population. Celador's stations, combined, cover 49% of the Kiss East TSA population. The joint overlap measure is therefore 43%. The CMA considers that the Parties are likely to compete more closely than this measure suggests, as Bauer sells advertising separately in relation to each of its two Kiss East licences. The CMA found that Celador's stations' TSAs (when considered as a group) are closely aligned to Kiss East's Norfolk and Suffolk licence area.
176. The Parties submitted that, in practice, their stations do not compete in this way, as only [redacted] of local advertisers with the target stations purchase advertising across all five stations, and advertisers spend [redacted] targeting Kiss East's Norfolk and Suffolk transmitter, specifically. The CMA believes that this reduces scope for material competition between the Parties, but does not eliminate it. The CMA also considers that [redacted] figure cited (which is based on the number of buyers and is not weighted by revenue) may understate the proportion of revenue associated with those advertisers.
177. The CMA found that listeners to Kiss East are on average younger (around 35-40) than listeners to Radio Norwich (around 45-50), The Beach (around 45), Town 102 FM (around 45), North Norfolk (around 55) and Dream (around 45). The Parties' stations' audiences are approximately evenly split between male and female listeners, although The Beach skews more male (around 60%), and Town 102 skews more female (around 60-70%). However, given the similar geographic coverage of Celador's stations in aggregate and Bauer's Kiss East's Norfolk and Suffolk licence area, the CMA nevertheless considers the Parties to be close competitors.
178. The CMA found that after the Acquisitions, Global, which (through its Heart and Smooth stations) will continue to be the largest commercial radio station in the area, with broad coverage of the East of England (as shown by maps of

its stations' TSAs). The available evidence indicates that Global's East Anglia station (which has separate licences for Norfolk and Suffolk) competes more closely than Kiss East with the local Celador stations. The CMA also considers that the combination of Global's stations in the East of England compete more closely than the local Celador stations with Kiss East (in particular, given the similar geographic coverage of Kiss East and the combination of Heart Cambridgeshire and Heart East Anglia) and exert a significant competitive constraint in the area.

*Conclusion on horizontal unilateral effects in the East of England*

179. On the basis of the evidence set out above, including evidence that local advertisers rarely use the Parties' stations to target Norfolk and Suffolk, and, in particular, the presence of Global as a significant competitive constraint, the CMA believes that the Celador Acquisition does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of commercial radio advertising in the East of England.

*Yorkshire*

180. In Yorkshire, Lincs' Trax FM, Dearne FM, and Rother FM collectively overlap with Bauer's Hallam FM. Therefore, the CMA has considered the impact of the Lincs Transaction in Yorkshire. As described above, although the overlaps between any of the Parties' stations do not appear to raise concerns individually, the CMA considered that advertisers might be able to switch between Bauer's Hallam FM and Lincs' group of local stations, and on this basis the overlap of the Parties' stations is significant. Shares of supply are set out below.

**Table 5: Shares of supply of commercial radio in Yorkshire**

<b>Share of supply of commercial radio by listening hours</b>			
<b>Radio station</b>	<b>Hallam FM TSA</b>	<b>Combined Lincs Stations TSA</b>	<b>Ridings FM TSA</b>
Capital Yorkshire (Global)	19%	15%	27%
Heart Cambridgeshire (Global)	-	2%	-
Capital East Midlands (Global)	-	<1%	-
Gold East Midlands (Global)	-	<1%	-
Smooth Radio Cambridgeshire (Global)	-	<1%	-
<i>Total Global</i>	19%	18%	27%
Heart Yorkshire (Communicorp)	17%	5%	35%
Smooth Radio East Midlands (Communicorp)	-	4%	-
<i>Total Communicorp</i>	17%	9%	35%
Trax FM (Lincs)	9%	10%	-
Dearne FM (Lincs)	5%	<0%	-
Rother FM (Lincs)	2%	3%	-
Lincs FM (Lincs)	-	34%	-
Ridings (Lincs)	-	-	21%

<i>Total Lincs</i>	17%	48%	21%
Hallam FM (Bauer)	28%	16%	
Greatest Hits Radio (S.Yorks) (surveyed as Hallam 2) (Bauer)	15%	5%	-
Greatest Hits Radio (E.Yorks & N.Lincs) (surveyed as Viking 2) (Bauer)	-	3%	-
Greatest Hits Radio (W.Yorks) (surveyed as Radio Aire 2) (Bauer)	-	-	9%
Viking FM (Bauer)	-	2%	-
Radio Aire (Bauer)	-	-	3%
Absolute Radio (Non-FM Area) (Bauer)	-	-	6%
Gem (Bauer)	-	<1%	-
<i>Total Bauer</i>	33%	26%	17%
<i>Combined Bauer and Lincs</i>	61%	74%	38%
<b>Share of supply of commercial radio by revenue</b>			
<b>Radio station</b>	<b>Hallam FM TSA</b>	<b>Combined Lincs Stations TSA</b>	<b>Ridings FM TSA</b>
Capital Yorkshire (Global)	[30-40]%	[30-40]%	[50-60]%
Heart Cambridgeshire (Global)	-	[5-10]%	-
Capital East Midlands (Global)	-	[0-5]%	-
Gold East Midlands (Global)	-	[0-5]%	-
Smooth Radio Cambridgeshire (Global)	-	[0-5]%	-
<i>Total Global</i>	[30-40]%	[30-40]%	[50-60]%
Heart Yorkshire (Communicorp)	[10-20]%	[0-5]%	[20-30]%
Smooth Radio East Midlands (Communicorp)	-	[0-5]%	-
<i>Total Communicorp</i>	[10-20]%	[5-10]%	[20-30]%
Trax FM (Lincs)	[0-5]%	[5-10]%	-
Dearne FM (Lincs)	[0-5]%	[0-5]%	-
Rother FM (Lincs)	[0-5]%	[0-5]%	-
Lincs FM (Lincs)	-	[10-20]%	-
Ridings (Lincs)	-	-	[5-10]%
<i>Total Lincs</i>	[5-10]%	[20-30]%	[5-10]%
Hallam FM (Bauer)	[40-50]%	[20-30]%	-
Greatest Hits Radio (S.Yorks) (surveyed as Hallam 2) (Bauer)	[0-5]%	[0-5]%	-
Greatest Hits Radio (E.Yorks & N.Lincs) (surveyed as Viking 2) (Bauer)	-	[0-5]%	-
Greatest Hits Radio (W.Yorks) (surveyed as Radio Aire 2) (Bauer)	-	-	[5-10]%
Viking FM (Bauer)	-	[5-10]%	-
Radio Aire (Bauer)	-	-	[5-10]%
Absolute Radio (Non-FM Area) (Bauer)	-	-	missing data
Gem (Bauer)	-	[0-5]%	-
<i>Total Bauer</i>	[40-50]%	[30-40]%	[10-20]%
<i>Combined Bauer and Lincs</i>	[50-60]%	[50-60]%	[20-30]%

181. The CMA estimated that the Parties have a combined share of supply of 61% by listening hours and [50-60]% by revenue in the Hallam FM TSA, with a significant increment to Bauer's previous share of supply. The Parties would have a similar position in the combined Lincs stations' TSA.
182. The Parties also overlap elsewhere in Yorkshire. Lincs' Ridings FM overlaps with Bauer's Greatest Hits Radio (West Yorkshire) and Radio Aire, with a joint

overlap measure of 25%.<sup>57</sup> However, the Parties will have a combined share of supply of 38% by listening hours (increment 17%) but [redacted] [20-30]% by revenue (increment [5-10]%) in the Ridings FM TSA. The CMA found that these stations are also significantly demographically differentiated, as the audience of Greatest Hits Radio (West Yorkshire) is more male (70-80%) than that of Ridings FM (which has more female listeners than male listeners). As a result of this evidence, and the significant competitive presence of Global and Communicorp, the CMA found that the overlap between Ridings FM and Greatest Hits Radio (West Yorkshire) does not give rise to competition concerns in the Yorkshire area.

183. However, the CMA considered that the Parties' combined shares of supply in the Hallam TSA, and in the combined Lincs' stations TSAs, were high enough to raise prima facie competition concerns.
184. Hallam FM's TSA covers 95% of the population of Trax FM's TSA and 100% of both Dearne FM's and Rother FM's TSAs. The combination of the Lincs' stations covers 62% of the Hallam FM population. The joint overlap measure is therefore about 60%. The available evidence therefore indicates that the Parties are close competitors, geographically.
185. Listeners to Hallam FM have similar demographics to Rother FM; both attract a relatively high proportion of female listeners (around 60-70%), with an average age of around 40-45. By contrast, Trax FM and Dearne FM have an older audience (averaging around 45-50), and slightly more male listeners than female listeners.
186. The CMA found that, after the Lincs Acquisition, Global and Communicorp will continue to compete with Hallam FM. The CMA found that 25% of Global's Capital Yorkshire's hours of listenership come from the Hallam FM TSA, and 32% of Communicorp's Heart Yorkshire's hours of listenership come from the Hallam FM TSA. Both of these competitors are therefore geographically differentiated. The CMA found that they will both be significantly smaller than the combined entity after the Lincs Acquisition, within the relevant TSAs.
187. The Parties submitted that the material differences between the Parties' target audiences, and the narrow geographic focus of Lincs' stations, limit the degree to which the Parties' local stations can be viewed as effective substitutes. Considering the target stations together, the Parties submitted that the absence of Sheffield from the target stations' combined TSA is a significant differentiating point, and that [redacted] of advertisers on the target

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<sup>57</sup> Other overlaps in Yorkshire are included in the CMA's filter as they have joint overlap measures well below 25%, see Annex 1.

stations purchased advertising on only one station. The Parties also submitted that there is a [X] between the Hallam FM and the combined target stations, and that (under whatever advertising package is chosen) the same number of slots in the same time-period would [X].

188. The Parties also submitted that Global and Communicorp's stations are closer competitors to Hallam FM than the target stations are, in part because Communicorp's Heart Yorkshire discounts its rates to compete with Hallam FM. The Parties submitted that non-radio advertising is the closest constraint to the target stations, whether considered individually or as a group. One customer of Rother FM told the CMA that it would switch to advertising in a local newspaper in response to a price rise. However, the CMA did not find evidence that non-radio advertising would constrain the target stations when being purchased as a group (and therefore in the circumstances when they would be most likely to compete with Hallam FM).
189. The available evidence suggests that the combined target stations (when purchased together) may be somewhat differentiated competitors of Hallam FM. However, taking all the factors together, notwithstanding the Parties' submission in relation to differentiation caused by the absence of Sheffield from the target stations' combined TSA, the available evidence indicates that the target stations are likely to be the closest competitor to Hallam FM, given the much broader geographic coverage of Global and Communicorp's stations.

#### *Conclusion on horizontal unilateral effects in Yorkshire*

190. For the reasons set out above, including the Parties' high combined market shares in the Hallam TSA and the combined Lincs' stations TSAs, the closeness of competition between the Parties' stations, and the presence of only two other differentiated competitors, the CMA believes the Lincs Acquisition would lead to a significant change in the market structure and to a loss of a significant competitive constraint in the Yorkshire area. Accordingly, the CMA found that the Lincs Acquisition raises significant competition concerns as a result of horizontal unilateral effects in relation to the supply of commercial radio advertising in Yorkshire, owing to the overlaps between Lincs' Trax FM, Dearne FM, and Rother FM and Bauer's Hallam FM.

#### *Overall conclusion on local radio advertising*

191. For the reasons set out above, the CMA found that:
- (a) The **Celador Acquisition** raises significant competition concerns in relation to the supply of commercial radio advertising in **the West of**

**England**, as a result of horizontal unilateral effects in relation to the overlaps between: (i) Celador’s Sam FM and The Breeze (South West); and (ii) Bauer’s Kiss West;

- (b) The **Wireless Acquisition** raises significant competition concerns in relation to the supply of commercial radio advertising in **the West Midlands**, as a result of horizontal unilateral effects in relation to the overlaps between: (i) Wireless’ Signal 107; and (ii) Bauer’s Free Radio FM Birmingham & Black Country and Free Radio FM Shropshire; and
- (c) The **Lincs Acquisition** raises significant competition concerns in relation to the supply of commercial radio advertising in **Yorkshire**, as a result of horizontal unilateral effects in relation to the overlaps between: (i) Lincs’ Trax FM, Dearne FM, and Rother FM; and (ii) Bauer’s Hallam FM.

### ***Horizontal unilateral effects in the supply of national radio advertising***

- 192. As a result of the UKRD Acquisition, Bauer is acquiring a 50% shareholding in FRS. This is above the 25% level that the CMA’s guidance states is likely to be seen as conferring the ability to materially influence policy.<sup>58</sup> The remaining 50% is owned by Wireless (and is not included in Wireless Acquisition). Bauer’s [REDACTED].<sup>59</sup> As described below in paragraphs 220 to 224, the CMA also considers that the Acquisitions would, by removing a significant part of FRS’ network of independent local stations, make FRS economically unviable as an independent competitor. The CMA therefore considers that following the Acquisitions, FRS is likely to cease to compete independently of Bauer.
- 193. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals. The CMA assessed whether it is or may be the case that the Acquisitions have resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in the supply of national advertising.
- 194. Unilateral effects resulting from the merger are more likely where the merger eliminates a significant competitive force in the market. For example, the merger may involve a recent entrant or a firm which was expected to grow into a significant competitive force or otherwise to provide a significant

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<sup>58</sup> See [Mergers: Guidance on the CMA’s jurisdiction and procedure](#) (CMA2), January 2014, paragraphs 4.18-4.19.

<sup>59</sup> [REDACTED].

competitive threat to other firms in the market (eg by virtue of having a novel business model or a reputation for aggressive price cutting).<sup>60</sup>

195. The combined market shares of the merger firms, when compared with their respective pre-merger market shares, can provide an indication of the change in market power resulting from a merger.<sup>61</sup> In highly concentrated markets, even a small increment can give rise to a significant competition concern, particularly where the acquirer already holds a significant market position.

### *National radio advertising*

196. The Parties submitted that national radio advertising can be supplied by national radio stations (which broadcast to most or all of the UK) and by local radio stations (which contribute to a network of radio stations covering part or all of the UK). The evidence received by the CMA supports this position.
197. In assessing the impact of the Acquisitions on the supply of national radio advertising, the CMA considered:
- (a) The structure of the market, including the combined share of supply, the relative increment to Bauer's position in national radio advertising and market share of competitors, including the position of Global; and
  - (b) Closeness of competition between Bauer and FRS, in the light of:
    - (i) The differentiation in FRS' offer (compared to that of other market players);
    - (ii) The Parties' internal documents; and
    - (iii) Evidence from buyers of national radio advertising on any impact from the loss of competition from FRS and other suppliers of national radio advertising.

### *The structure of the market*

198. Global and Bauer own both national and local radio stations and are able to offer national advertising based both on their national stations and groups of their local stations.<sup>62</sup> Wireless offers national advertising for its national radio stations, and its local stations supply national advertising through FRS. FRS

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<sup>60</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraph 5.4.5.

<sup>61</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, paragraph 5.3.4.

<sup>62</sup> Global also sells national advertising on behalf of Communicorp and Bauer will [redacted].

sells national advertising on behalf of a network of independent local radio stations, in exchange for a commission.

*Shares of supply*

199. Table 6 sets out the shares of supply of relevant to the national radio advertising market.

**Table 6: Shares of supply relevant to national radio advertising Q4 2018**

	Share of commercial listening (UK) (%)	Estimated share of national airtime revenue (%)*
Bauer	33.3	[30-40]
FRS (including Nation and the acquired stations)	9.0	[0-5]
Global (including advertising sold on behalf of Communicorp)	50.4	[60-70]
Wireless (National stations only)	5.1	[0-5]
Others	2.2	[0-5]

Source: Commercial listening data is from RAJAR. Revenue data is from the Parties.

Notes:

\* CMA also received 2017 revenue data from Ofcom, this data did not enable the CMA to identify FRS' share of supply, but, where the CMA has comparable data, it is similar to revenue data from the Parties.

200. The supply of national radio advertising is consolidated among a few key competitors. Bauer and Global are, by far, the two largest suppliers of national radio advertising in the UK (with Global being significantly larger than Bauer). Between them they hold shares of supply of 83.7% (by commercial listening hours, including the national radio advertising Global sells on behalf of third parties) and [90-100]% (by revenue, including the national radio advertising Global sells on behalf of third parties).

*Increment to Bauer's shares of supply in national radio advertising*

201. As a result of the Acquisitions, Bauer is acquiring 45 local commercial radio stations which currently supply national advertising through FRS. The Parties submitted that after the Acquisitions Bauer intends to supply national advertising through these stations as part of its existing networks, rather than via FRS. These stations collectively account for 5.2% of commercial listening in the UK and (based on the Parties' estimate) [0-5]% of national airtime advertising revenue.
202. The CMA notes that the increment brought about by the Acquisitions is small, and that Bauer's existing share, while significant, is markedly lower than that of Global. The CMA notes, however, that even a relatively small increment can raise competition concerns, particularly where it could strengthen an



existing strong market position (albeit that the existing position of Bauer is not as strong as that of Global at the national level).

#### *Closeness of competition*

203. The Parties submitted that the removal of FRS as a competitor would not materially impact competition to supply national advertising because FRS is a “fringe” player which is not attractive to media buying agencies. The Parties submitted that FRS is not able to offer a portfolio of stations with comparable audience shares, reach, geographic coverage and national brands of the Bauer and Global portfolios.
204. The Parties submitted that competition to supply national advertising is primarily between Global and Bauer, with media buying agencies exercising their considerable buyer power by threatening to switch from one to the other, and that the Acquisitions will not materially impact this competitive landscape.

#### *Differentiation in FRS’ offer*

205. The CMA considered whether FRS’ offer is differentiated from that of Bauer and Global. FRS does not supply advertising for any national radio stations. One supplier of national advertising told the CMA that, relative to Global and Bauer, FRS is not in a strong negotiating position in relation to the larger media buying agencies. One supplier of national advertising told the CMA that, unlike Global, Bauer or Wireless, FRS’ primary focus is on local services. The CMA found that FRS only offers partial coverage across the UK. The CMA also found that FRS’ coverage in the north of England is limited and that does not cover significant conurbations such as Newcastle, York and Birmingham. The CMA found that, even in areas where FRS does provide coverage, the listenership of the stations it represents are typically lower than the equivalent Global and Bauer stations. The available evidence relating to FRS’ offering indicates therefore that FRS is not a close competitor of Bauer.

#### *Internal documents*

206. The Parties submitted that, [REDACTED].
207. While the CMA found that Bauer [REDACTED]. Overall, such documents strongly show that Bauer views Global as its primary competitor [REDACTED].<sup>63</sup>

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<sup>63</sup> [REDACTED].

208. [REDACTED].<sup>64</sup>

*Third party views*

209. The CMA found that national radio advertising is purchased by large, sophisticated media agencies on behalf of clients trying to reach geographically widespread audiences. Media buying agencies typically enter into 'share deals' with media owners. In the context of commercial radio, these are agreements whereby the media buying agency undertakes to buy national advertising from media owners in proportion to that media owner's share of listening hours.
210. As described above, the Parties submitted that media buyers have considerable bargaining power and can play off Bauer against Global by credibly suggesting that they will switch spend. The Parties submitted that such buyer power is unaffected by the Acquisitions.
211. Media buying agencies consistently told the CMA that FRS was a considerably smaller supplier of national advertising than Bauer and Global. Some of these media buying agencies also told the CMA that this weakness as a competitor at least partially explained why FRS had been [REDACTED], unlike Bauer, Global and Wireless. A consequence of FRS [REDACTED] is that FRS' revenue share of national advertising is [REDACTED] than its share of listening hours. (The CMA considers that the [REDACTED] shares of supply by revenue are likely to be a better indication of FRS' market presence than listening hours.)
212. All media buying agencies who responded to the CMA said that they purchase from multiple media owners for individual advertising campaigns they run for their clients. Overall, media buying agencies viewed FRS as a complementary option to Global, Bauer and Wireless.
213. None of the media buying agencies who responded to the CMA expressed concerns related to the loss of FRS as a competitive constraint on Bauer, Global and Wireless. Two of the media buying agencies who responded to the CMA said they could more easily reach these listeners through Bauer.
214. Existing suppliers of national radio advertising generally told the CMA that Global, Bauer and Wireless are the three key players within this segment and that any constraint from FRS is limited.

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<sup>64</sup> [REDACTED].

215. Evidence from third parties therefore indicates that FRS does not materially constrain Bauer in its negotiations with media buying agencies.

*Conclusion on horizontal unilateral effects in the supply of national radio advertising*

216. The CMA found that there is limited evidence of direct competition between Bauer and FRS for the supply of national radio advertising. The CMA found that Bauer and Global are each other's closest competitors and that media buyers did not consider their negotiating position to be weakened by the loss of FRS. The CMA also noted that Bauer's existing share, while significant, is markedly lower than that of Global and therefore that the strengthening of Bauer's more moderate national position (through the loss of the constraint from FRS and the increment brought about by the acquisition of further local radio stations) does not give rise to competition concerns on this basis. Accordingly, the CMA does not believe that the Acquisitions will give rise to a realistic prospect of an SLC as a result of horizontal effects in the supply of national radio advertising.
217. Nevertheless, the available evidence indicates that FRS holds an important position within the overall market structure of the commercial radio sector in the UK as the only independent supplier of national advertising to independent local radio stations. In the CMA's Phase 1 investigation, competition concerns relating to a potential weakening in the position of FRS post-Acquisitions have primarily been raised by local radio stations (although the same concerns were also raised, to some extent, by national radio groups). The CMA has therefore analysed these concerns by reference to the potential effects of the Acquisitions on the markets for local advertising in local areas throughout the UK, while noting that the loss of FRS is also liable to change the market structure at the national level.

***Vertical effects in the supply of local radio advertising as a result of the loss of FRS as a national advertising sales house***

218. FRS plays a unique role in the UK radio industry as the only independent sales house through which independent local radio stations can supply national advertising. National radio advertising revenues have been growing relative to local radio advertising revenues in the UK, and are an increasingly important revenue stream for local radio stations.<sup>65</sup>
219. The CMA considered:

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<sup>65</sup> [Communications Market Report 2019, Ofcom, page 6.](#)

- (a) The impact of the Acquisitions on FRS' viability;
- (b) The impact of the loss of FRS on the viability of independent local radio stations; and
- (c) The effect of the loss or weakening of FRS stations on the supply of local radio advertising.

*The impact of the Acquisitions on FRS' viability*

220. The Parties submitted that Bauer intends to sell national advertising on the stations acquired through the Acquisitions, [REDACTED]. As a result of this, FRS would lose from its portfolio a group of radio stations which collectively constitute [REDACTED] of FRS' revenue and [REDACTED] of its retained commission at present.<sup>66</sup> The CMA notes that losing this proportion of its total revenue at one time would typically be difficult for any economic operator to accommodate. The available evidence, including CMA analysis of FRS' financial data,<sup>67</sup> strongly indicates that, without this revenue stream, FRS [REDACTED]. FRS' overheads make up around [60-70%] of its revenue. A large part of this comprises of [REDACTED], which the CMA believes would be difficult to reduce substantially (without materially impacting the quality of FRS' service offering). FRS also has certain fixed costs, such as [REDACTED], which would be high relative to expected future revenues (following the loss of revenues for the local radio stations acquired by Bauer). [REDACTED].
221. Moreover, FRS would lose nearly [REDACTED] listeners, reducing its reach by [REDACTED]. FRS' geographic coverage would also be reduced significantly. For instance, it would lose all its coverage in [REDACTED] and the majority of its coverage in the [REDACTED] television regions. FRS would also lose a substantial number of stations across the UK. This greatly reduced reach and coverage would make it more difficult for FRS to attract media buying agencies as customers and would reduce its negotiating power.
222. Following the Acquisitions, there will only be a small number of areas where FRS is best placed to offer coverage for advertisers. Only [REDACTED] of the independent local radio stations FRS would still represent will broadcast to areas which cannot be reached by a non-FRS station,<sup>68</sup> and [REDACTED] of these areas are a small part of the relevant station's TSA.<sup>69</sup> Additionally, only [REDACTED] of

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<sup>66</sup> In addition to [REDACTED], FRS would lose from its portfolio 14 stations which were previously owned by Celador, eight stations which were previously owned by Lincs, 12 stations which were previously owned by Wireless, and five stations which were previously owned by UKRD.

<sup>67</sup> Historic FRS revenues, costs and overheads. The CMA also considered historic responses to revenue reductions.

<sup>68</sup> [REDACTED].

<sup>69</sup> [REDACTED].

the independent local radio stations FRS would still represent have the largest share of listening<sup>70</sup> in their own TSA.<sup>71</sup> This would also make it more difficult for FRS to attract media buying agencies as customers and would reduce its negotiating power.

223. [REDACTED].<sup>72</sup> [REDACTED].<sup>73</sup>

224. Notwithstanding Bauer's acquisition of a 50% interest in FRS, the CMA considers that FRS would likely not be economically viable as a result of the removal of stations from FRS' portfolio. The CMA also believes that this means that, should Bauer use its influence as a shareholder to close FRS, it would not be possible for the remaining independent local radio stations (or any other third party) to form an effective equivalent to FRS.

*Conclusion on the impact of the Acquisitions on FRS' viability*

225. For the reasons set out above, the CMA believes that FRS, or an equivalent entity, would likely no longer be economically viable as a result of the Acquisitions.

*The impact of the loss of FRS on the viability of independent local radio stations*

226. In assessing the impact of the loss of FRS on the viability of independent local radio stations, the CMA considered:

- (a) The importance of national radio advertising revenues to local radio stations;
- (b) Strategies which local radio stations could use to mitigate the loss of national radio advertising revenues; and
- (c) Bauer's incentives to supply national advertising through independent local radio stations.

*The importance of national radio advertising revenues to local radio stations.*

227. Independent local radio stations told the CMA that revenue generated through FRS makes up between 1% and 31% of their total revenue, with over 70% of respondents saying it makes up over 10% of their total revenue. Almost 90% of respondents (including many for whom revenues obtained through FRS

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<sup>70</sup> Local commercial listening hours.

<sup>71</sup> [REDACTED].

<sup>72</sup> [REDACTED].

<sup>73</sup> [REDACTED].

account for a lower proportion of total revenue), said that FRS revenue was important, very important or crucial for their operations. Several respondents explained that this is because FRS is their only way of accessing national or regional advertisers.

228. The CMA found that, for some independent local radio stations, access to the national market was a source of credibility, as well as income: that local advertisers valued being advertised alongside national advertisers. Other independent local radio stations specifically said that FRS was critical to their viability (or solvency) as a business with high fixed costs, and that the revenue losses most likely would not be replaced by local advertising. The vast majority of local independent radio stations which responded to the CMA were concerned about the Acquisitions.
229. Therefore, the CMA considers that revenue from FRS is very important for independent local radio stations and without it they would be substantially weakened or unviable.
230. The CMA identified 34 local radio stations that will be represented by FRS in the UK following the envisaged changes relating to the Acquisitions which measure their audiences using RAJAR.<sup>74</sup> <sup>75</sup> The management of 17 FRS stations, representing almost 70% of independent radio stations who responded to the CMA's questions, told the CMA that they had concerns about the impact the Acquisitions would have on their ability to compete, suggesting that such concerns are widespread within this group of stations. For the purposes of this decision, the CMA has, however, excluded eight stations that told the CMA that they are not reliant on national commercial radio advertising revenues from further consideration. As a result, of the 34 stations referred to above, the CMA is therefore concerned that 26 FRS stations may exit or be weakened as a result of losing access to national advertising revenues.
231. Given the importance of FRS to existing independent local radio stations, the CMA also considers that the loss of the possibility of accessing national advertising revenues through FRS is liable also to make it more difficult to finance the entry of new independent radio stations in the UK. One local radio

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<sup>74</sup>FRS told the CMA that it represents 118 independent local radio stations. After accounting for the stations acquired by Bauer, [§] and a small number of stations outside the UK, the CMA aggregated for the purposes of its assessment certain stations which simultaneously broadcast over both FM and DAB. As a result, the CMA identified 34 local radio stations measured by RAJAR in the UK which might, in principle, rely on access to national advertising revenue via FRS to remain viable.

<sup>75</sup> The CMA has used RAJAR data to identify relevant stations which may be affected by the loss of FRS revenues, and to assess the impact on competition of the weakening or exit of such stations. The CMA notes that FRS also represents several stations which do not measure their audiences using RAJAR and which might also be affected by the Acquisitions, some of which raised concerns with the CMA.

station raised concerns in relation to the effect of the loss of FRS on new stations using future small-scale DAB licences.

*Strategies which local radio stations could use to mitigate the loss of national radio advertising revenues*

232. The CMA considered whether the following alternatives could compensate for the revenue losses resulting from the closure of FRS: (i) representation by an alternative third party, (ii) increased sales of local advertising; and (iii) cost reduction.

*Representation by an alternative third party*

233. Most independent local radio stations who responded to the CMA's questionnaire expressed an openness to third parties selling airtime on their behalf to media buying agencies. The majority of such respondents told the CMA that they believed other media owners, and Global and Bauer in particular, would be the most viable option for alternative representation. [REDACTED]. Global has only represented its own brands (either directly or via a brand and content licencing arrangement) and the CMA considers that this is unlikely to change in the future. Indeed, [REDACTED]. The Parties submitted that [REDACTED].
234. While most independent local radio stations who responded to the CMA's questionnaire expressed an openness to another media owner selling airtime on their behalf to media buying agencies, several were concerned about the terms Bauer or Global would offer. Concerns raised by respondents included the possibility that signing a brand and content licencing agreement could be a pre-condition for such representation. Some of these independent local radio stations told the CMA that retention of their original content was important for their ongoing commercial success, for example because their brands were already market-leading in their own markets or they have built up brand loyalty.
235. Several independent local radio stations also raised concerns relating to potential conflicts of interest arising from radio groups selling rivals' national advertising alongside that of their own radio stations. The CMA has assessed Bauer's potential conflicts of interest in paragraphs 248 to 253 below.

*Increased sales of local advertising*

236. The CMA found little evidence that independent local radio stations would be able to offset the loss of FRS-generated revenue by increasing their local radio advertising sales. No independent local radio stations said that they would seek additional local radio advertising in the absence of FRS.

237. Several independent local radio stations, as well as one of Bauer's closest competitors, said that most independent local radio stations had already maximised the revenue they derive from local advertising (ie there is very limited additional demand for local advertising beyond that which they were already fulfilling).

*Cost reduction*

238. The CMA found little evidence that independent local radio stations would be able to reduce costs sufficiently to offset the loss from losing revenues from sales made by FRS. The CMA noted that local radio stations' costs either tend to be strictly fixed, such as transmission costs, or difficult to reduce without compromising the quality of output, such as staffing costs. Only one independent local radio company told the CMA that it would reduce costs if FRS was no longer available but added that within six months of FRS closing, it would run the real threat of becoming insolvent and having to close its business.

*Bauer's incentive to supply independent local stations*

239. In this section, the CMA considers Bauer's incentives in relation to the supply of national advertising on behalf of independent local radio stations. The CMA has assessed: (i) the potential profitability of a foreclosure strategy; and (ii) issues raised by third parties in relation to potential conflicts of interest that could arise as a result of such supply.

*Potential profitability of a foreclosure strategy*

240. The Parties submitted that Bauer has considerable incentives to sell national advertising on behalf of independent local radio stations previously represented by FRS. The Parties submitted that Bauer would [redacted] all independent local radio stations previously represented by FRS (and which do not fall within the Acquisitions), and sell their inventory to national advertisers in exchange for a commission [redacted]. The Parties submitted that [redacted]. The Parties submitted:

- (a) Based on a predicted [redacted] commission rate, Bauer would likely generate around [redacted] in commission revenue every year,<sup>76</sup> while its only additional cost would be [redacted].

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<sup>76</sup> Using FRS data, the CMA estimated this to be [redacted], based the advertising revenues for the FRS stations and a [redacted] commission rate.



(b) [REDACTED].

241. The Parties further submitted that foreclosing independent local radio stations would not be in their commercial interests. They submitted that the ongoing revenue stream from representing independent local radio stations would outweigh the less immediate and less certain revenues that could be obtained from the likely level of diversion of local advertising revenues to Bauer's own stations. As regards the TSAs of the independent local radio stations that would otherwise be represented by FRS, the Parties submitted:

(a) In 11 TSAs Bauer is not a competitor and in an additional 11 TSAs Bauer is not a close competitor as there is no significant overlap.

(b) In 12 TSAs there is a considerable overlap with Bauer stations. However, in all but four of these Global and/or Communicorp are present.

242. The Parties submitted that the benefit from foreclosure would therefore be dissipated and that Bauer would have no certainty as to whether it would benefit and, if so, to what extent. The Parties also submitted that, should any of these stations be acquired, either Global or Communicorp, rather than Bauer, would be the most likely buyers, as they have a track record of [REDACTED]. The Parties submitted that in many cases the independent local radio stations concerned are part of larger groups and/or [REDACTED].

243. The CMA has considered each of these submissions in turn.

244. The CMA considers that Bauer would not be in competition with Global and Wireless to represent independent stations, and that it would be reasonable for Bauer to expect that independent local stations would be likely to lose national sales if Bauer declined to represent them, and that those sales would be diverted to large radio groups. The CMA further considers that Bauer, in accordance with its share of national advertising sales post-Acquisitions, could expect about [REDACTED] share of these diverted sales. In addition, Bauer stations would benefit from higher prices or reduced investment in the quality of their services to local advertisers through the mechanism discussed in paragraphs 261 to 265.

245. The CMA therefore believes that the additional income to Bauer of around [REDACTED] of national advertising sales it would gain from representing independent stations would be more than offset by the net income that would likely be foregone.<sup>77</sup>

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<sup>77</sup> This remains the case even after allowing for the variable costs Bauer would incur in selling advertising on its own behalf (the main variable cost identified by Bauer was of [REDACTED]).

246. While the Parties submitted that, by adding independent local radio stations [redacted], they would be able to extend the network's coverage in some additional areas, the CMA notes that:
- (a) [redacted].
  - (b) The CMA considers that Bauer would potentially benefit from the exit or weakening of stations which it already competes with for local advertising. In the 23 independent local radio station TSAs where Bauer is present, Bauer could expect some local advertising revenue diversion (albeit that the extent of such diversion is uncertain). The extent to which Bauer competes with the FRS stations might also change in future. If any independent became more competitive, Bauer's incentives to foreclose it would be increased.
  - (c) In absence of FRS representation, Bauer may be able to acquire these radio stations for a lower price than it might have expected to pay while FRS was selling national advertising on their behalf. As noted in paragraph 72, [redacted].
247. Accordingly, the available evidence indicates that: (i) Bauer would be able to achieve its stated commercial objectives without supplying national advertising services on behalf of independent stations; and (ii) Bauer may gain from the weakening of independent local radio stations or may otherwise not have an incentive to supply them.

*Conflicts of interest*

248. In relation to potential conflicts of interest raised by respondents, the Parties submitted that:
- (a) Media buying agencies: (i) are sophisticated, large buyers of radio advertising who would not accept discrimination by Bauer against third party stations in favour of its own; (ii) specify the stations they wish to use for their client's advertising campaign and would require prior consent to any changes;
  - (b) Any conflict of interest resulting from third party representation by Bauer would be equivalent to the prior conflict of interest arising from UKRD's co-ownership of FRS; and
  - (c) Its prior commercial practice, in particular its previous representation of [redacted] and its [redacted], supports the position that it does not have the incentive to foreclose local radio stations.

249. The CMA has considered each of these submissions in turn.
250. The CMA recognises that media buying agencies are sophisticated buyers who may be able to oblige media owners to use radio stations of their choosing. This may be particularly relevant for instances where a third-party radio station is clearly better suited to reaching the buyer's target audience than a Bauer-owned station. However, the CMA considers that Bauer may be able to discriminate in favour of its own stations in situations where both a Bauer and a third-party station are suitable for reaching a given target audience. The CMA also believes that self-preferencing could also be exercised through its pricing scheme. For example, Bauer could reward media buying agencies with rebates for acquisitions of national airtime on its own stations, rather than for acquisitions across Bauer's entire [redacted] (ie including Bauer-owned stations as well as independent local radio stations). Accordingly, the available evidence indicates that the role of media buying agencies would not prevent Bauer from being able to discriminate in favour of its own stations.
251. The CMA does not consider the comparison with UKRD to be meaningful, given the considerable difference in the number of stations owned and reach between UKRD and Bauer. Further, UKRD [redacted]. While the other owner of FRS, Wireless, does sell national advertising, its share is much lower than that of Bauer (as set out at Table 6) and the benefit from diversion (described at paragraph 244) would be correspondingly smaller. The CMA also believes that UKRD and Wireless, as owners of FRS, would not gain local advertising from the exit or weakening of other independent local stations (as explained in paragraph 246(b)) because they operate in different areas.<sup>78</sup> Accordingly, the CMA does not believe that FRS' existing owners are subject to comparable conflicts of interest risks to those presented for Bauer.
252. In relation to Orion, the CMA notes that Bauer was [redacted] to represent it. In addition, Orion was primarily active in the West Midlands where Bauer's presence at the time was limited. As a consequence, the CMA considers that the risk from cannibalisation resulting from representation was considerably lower for Bauer than it is under the current circumstances. The CMA also notes that Bauer ultimately acquired Orion in 2016. Accordingly, the CMA does not place material weight on this submission.

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<sup>78</sup> The only potential exception to this would be in Northern Ireland, where Wireless' U105 and another FRS station, Q Radio, overlap.

253. The CMA does not consider Bauer's [redacted] to be relevant to the current assessment, as [redacted]. Accordingly, the CMA does not place material weight on this submission.

*Conclusion on impact of the loss of FRS on the viability of independent local radio stations*

254. For the reasons set out above, the CMA found:

- (a) In relation to the importance of national radio advertising revenues to local radio stations, the vast majority of independent local radio stations previously represented by FRS that were not bought by Bauer consider that national radio advertising revenues are important, very important or crucial to their businesses (with many telling the CMA that such revenues are important to their viability).
- (b) In relation to the potential strategies to mitigate the loss of national radio advertising revenues, independent local radio stations would be unable to offset the income they would lose should FRS exit the market.
- (c) In relation to Bauer's incentive to supply independent local stations, a strategy of declining to represent independent local radio stations in order to enhance its position at the local level may be more profitable and Bauer would, in practice, have a significant conflict of interest.

255. Accordingly, the CMA has significant concerns that, as a result of the Acquisitions, independent local radio stations would: (i) exit the market, or (ii) be weakened. The CMA assessed the potential effects of each of these scenarios.

*The effect of the loss or weakening of independent local radio stations on competition for local radio advertising*

256. To assess the effect on local radio advertising of the loss of access to national advertising revenues achieved via FRS, the CMA considered:

- (a) The prevailing conditions of competition in the supply of local radio advertising in the FRS stations' local areas.
- (b) The competitive constraints exerted by the relevant FRS stations.
- (c) The effect of the weakening of FRS stations on advertisers.
- (d) The effect of the exit of FRS stations on advertisers.

*The prevailing conditions of competition in the supply of local radio advertising in the FRS stations' local areas*

257. As described above in paragraph 230, the vast majority of local independent radio stations which responded to the CMA were concerned about the Acquisitions, and the CMA considers that 26 FRS stations may exit or be weakened as a result of losing access to national advertising revenues.
258. As described in paragraphs 71 and 72, the Acquisitions take place in the context of a concentrated market, with Global and Bauer as the market leaders, and with Global having a particularly high market share. For all FRS stations in the UK, the competitor with the largest listenership in their TSA is a Global or Bauer station. As described above in paragraph 241, the Parties submitted that many of these stations are geographically differentiated from Bauer but 12 FRS stations substantially overlapped with Bauer stations. Furthermore, for the reasons explained below, the CMA is also concerned about the potential impact of the Acquisitions on competition in local areas where Global is the largest competitor present.
259. In each of the areas in which these 26 local stations broadcast, the CMA assessed the extent of existing competition from non-FRS stations. The CMA believes that, for each of these local areas, the main competitors in a TSA other than FRS stations are stations owned by Global and Bauer.<sup>79</sup>

*The competitive constraints exerted by the relevant FRS stations*

260. Of the 26 FRS stations which the CMA believes may exit or be weakened, the CMA found that 20 have shares of more than 5% in commercial radio listening in their TSAs. The CMA therefore considers that all 20 stations may exert a material competitive constraint on competitors which are present in their TSAs. These stations are listed in Annex 2. Several stations which are not measured by RAJAR (and for which the CMA therefore has not established their share of commercial listening hours) also expressed concerns about the effects of the loss of national advertising revenue secured via FRS on their viability.

*The effect of the weakening of FRS stations on advertisers*

261. The CMA considers that, as a result of losing access to revenue through FRS, those independent local radio stations may be forced to invest less in their programming content. As a result, the quality of the service they provide to

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<sup>79</sup> The largest share of listening for a station other than FRS stations, or those owned by Global or Bauer, was [20-30]% for a Communicorp station.

listeners may decline, and their listenership may fall. Since radio is a two-sided market, a decline in a station's audience reduces the quality of its supply of local radio advertising to advertisers.

262. On the basis of the evidence that there are limited local radio stations within any given area, local advertisers may have few alternative suppliers of radio advertising within the FRS stations' TSAs. FRS stations' customers are therefore liable to face a reduction in quality. The CMA considers that, as a result, FRS' competitors may be able to raise their prices or be less incentivised to improve the quality of their services.

*The effect of the exit of FRS stations on advertisers*

263. The Parties submitted that, in practice, analogue licences can only be obtained by acquisition or upon the expiry of an existing licence. Radio stations very seldom exit the market and return the licences they use to Ofcom. Radio station operators seeking to exit the market typically sell the radio stations they operate to other media owners. The CMA believes that such a sale could only prevent a loss of competition if it induced the entry of a competitor of equal strength to the exiting firm. Given the loss of access to FRS' national advertising revenues, the CMA believes that new, independent competitors would be unlikely to enter as a result of the exit of the FRS stations (and any new entrant would, in any case, struggle to provide the same constraint as these stations do at present without access to national advertising revenues through FRS).
264. The CMA considered the impact on competition in such circumstances if Global or Bauer were to purchase the licence of the exiting station. However, as described above in paragraph 259, the CMA has found that Global and Bauer are the largest competitors present in all of the relevant local areas. The CMA therefore considers that the acquisition of these licences by Global or Bauer could raise competition concerns at the local level (where Global or Bauer purchased a station in a local area where it was already present) or as a result of the further strengthening of their respective positions at the national level.
265. The CMA therefore believes that, should FRS stations exit, their customers and their competitors' customers will have fewer advertising alternatives, and may also be disadvantaged in future pricing negotiations. Similarly, the CMA believes their future suppliers may be able to command higher prices or avoid investing in the quality of their services.

*Conclusion on the effect of the loss or weakening of independent local radio stations on competition for local radio advertising*

266. For the reasons set out above:

- (a) In relation to the prevailing conditions of competition in the supply of local radio, for the 26 stations identified that would be materially weakened in the event of a loss of national radio advertising revenues, the CMA believes that the main competitors in a TSA other than FRS stations are stations owned by Global and Bauer;
- (b) In relation to the competitive constraints exerted by the relevant FRS stations, the CMA found that at least 20 FRS stations may exert a material competitive constraint on their local competitors;
- (c) In relation to the effect of the weakening of FRS stations on advertisers, the CMA found that FRS stations' customers are liable to face a reduction in quality and that, as a result, FRS' competitors may be able to raise their prices or be less incentivised to improve the quality of their services and
- (d) In relation to the effect of the exit of FRS stations on advertisers, the CMA found that, should FRS stations exit, their customers and their competitors' customers would have fewer advertising alternatives, and may also be disadvantaged in future pricing negotiations.

267. Accordingly, the CMA found significant competition concerns in relation to the loss or weakening of independent local radio stations on competition for local radio advertising.

***Overall conclusion on vertical effects in the supply of local radio advertising as a result of the loss of FRS as a national advertising sales house***

268. For the reasons set out above, the CMA believes that the Acquisitions will likely render FRS unviable as a supplier of national radio advertising. As a result of losing access to national advertising revenues via FRS, the CMA believes that up to 26 FRS stations are at risk of exiting from the supply of local radio advertising and are likely to be competitively weakened. The CMA considers that 20 of these stations may materially compete with other suppliers of local radio advertising and that few credible alternative suppliers of radio advertising exist in these stations' TSAs other than Bauer and Global. The CMA's analysis does not support the Parties' submission that they would have the incentive to replace FRS in providing independent local radio stations with access to national advertising revenue. The CMA also found that Bauer would, in practice, have a significant conflict of interest in relation to any such supply.

269. Accordingly, the CMA found that the Acquisitions raise significant competition concerns across the UK as a result of horizontal unilateral effects in relation to the supply of local radio advertising as a result of the loss of FRS as a national radio advertising sales house.<sup>ii</sup>
270. The CMA cannot exclude the possibility that each Acquisition individually, or certain combinations of Acquisitions, may raise significant competition concerns across the UK as a result of horizontal unilateral effects in relation to the supply of local radio advertising as a result of the loss of FRS as a national radio advertising sales house. However, the CMA does not need to conclude on the individual effects of each Acquisition given its finding that the Acquisitions, in combination, raise significant competition concerns.<sup>iii</sup>

### **Vertical effects as a result of Bauer's supply of multiplex services**

271. Bauer holds interests in the following local multiplex interests:
- (a) [redacted] interests in: Edinburgh, Glasgow, Humberside, Inverness, Lancashire, Leeds, Liverpool, South Yorkshire, Tayside, Teesside, Northern Ireland and Tyne & Wear; and
  - (b) [redacted] interests in, Manchester, Birmingham and London 1(12A).
272. As a result of the Acquisitions, Bauer has acquired the following local multiplexes (the **Acquired Multiplexes**):
- (a) previously held by Lincs:
    - (i) [redacted] interest in the Lincolnshire multiplex (49% Muxco Lincolnshire);
    - (ii) [redacted] interest in the Suffolk multiplex [redacted];
  - (b) previously owned by Wireless Group:
    - (i) [redacted] interests in the Bradford, Stoke on Trent and Swansea multiplexes;
  - (c) previously owned by UKRD:
    - (i) [redacted] interest in the Cornwall multiplex;
    - (ii) [redacted] interest in the Plymouth multiplex [redacted]; and
    - (iii) [redacted] interest in the Surrey multiplex [redacted].
273. The Acquired Multiplexes do not overlap with the local multiplexes Bauer already owns. Therefore, the Acquisitions give rise to no horizontal concerns



in relation to the operation of local multiplexes (and no increase in local concentration at the upstream level of the supply chain).

274. The CMA considered whether the Acquisitions may give rise to vertical effects in relation to the supply of local multiplex access to local radio stations. Vertical effects may arise when a merger involves firms at different levels of the supply chain, for example a merger between an upstream supplier and a downstream customer or downstream competitors of the supplier's customers.
275. Vertical mergers may be competitively benign or even efficiency-enhancing, but in certain circumstances can weaken rivalry, for example when they result in foreclosure of the merged firm's competitors. The CMA only regards such foreclosure to be anticompetitive where it results in an SLC in the foreclosed market(s), not merely where it disadvantages one or more competitors. In the present case, the CMA has considered whether Bauer may foreclose rival local radio stations by preventing or worsening terms of access to the Acquired Multiplexes.
276. The CMA's approach to assessing vertical theories of harm is to analyse (a) the ability of the merged entity to foreclose competitors, (b) the incentive of it to do so, and (c) the overall effect of the strategy on competition.<sup>80</sup>

#### *The Parties' submission*

277. The Parties submitted that the Acquisitions do not give Bauer either the ability or incentive to discriminate regarding access to multiplexes, because the terms of the multiplex licence issued by Ofcom prevents undue discrimination against digital services connecting to the multiplex, meaning there is no reasonable prospect of foreclosure of access to multiplexes. The Parties submitted that a multiplex operator may provide its own services on a multiplex it operates but must do so in a way that maintains fair and effective competition and avoids undue discrimination. The Parties further submitted that Bauer has no plans to change pricing, access or line-up other than to look for opportunities for radio services to make use of the spare capacity.

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80..[Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 5.6.6. [The Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D).

*Ability*

278. Multiplex licences are awarded by Ofcom and are subject to regulation. Multiplex licensees are obliged by the terms of their Ofcom licence and the provisions of the Broadcasting Act 1996 and Communications Act 2003 to ensure effective competition in respect of and not unduly discriminate against digital services connecting to their multiplex. In relation to its multiplex licencing function, Ofcom assesses operators on the basis of criteria including the ability of the applicant to maintain the service, extent of coverage, timetables for rolling out coverage and launching programming, extent of local demand for the proposed service, and whether when contracting the proposed service, the applicant has acted in a manner to ensure fair and effective competition. Changes to a multiplex's line-up require Ofcom consent.
279. A radio operator told the CMA that access to multiplexes represents a cost to local radio stations and that, where the multiplex is full, this creates a barrier to entry. However, these issues were not specific to the Acquisitions and this third party told the CMA that it did not consider the acquisition of the Acquired Multiplexes to present competition concerns. The CMA received no concerns from [redacted] or the other local radio stations carried on the Acquired Multiplexes.
280. Based on internal documents, the CMA considers that Bauer may use some spare capacity for its own stations, in areas where it has an FM station, where FM frequency is full. However, all of the Acquired Multiplexes have capacity for multiple further stations and tend to be in areas with fewer stations and lower population levels. Additionally, Ofcom is rolling out small-scale DAB which may be more attractive to new stations than costly existing DAB.<sup>81</sup>
281. Evidence from internal documents provided by the Parties [redacted].<sup>82</sup> The CMA also found internal documents which [redacted].
282. The CMA has found that Bauer has been able to combine local multiplexes to offer quasi-national coverage. However, this results from its ability to combine its existing capacity entitlement in areas where multiplexes are full (eg London and other major urban centres) with available capacity on other multiplexes where there is spare capacity. This does not require ownership of the multiplexes with spare capacity, since the capacity can be purchased, [redacted] and is not altered by the Acquisitions. Furthermore, the acquired multiplexes

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<sup>81</sup> [Small-scale DAB licensing, 9 November 2018, Ofcom](#)

<sup>82</sup> [redacted].

cover only 7% of the UK population and would not be required for a quasi-national station.

283. Overall, the CMA has found that, as access is regulated and changes to multiplex line-up require Ofcom consent, Bauer does not have the ability to foreclose existing competitors on the Acquired Multiplexes. As Bauer may broadcast additional stations of its own from the Acquired Multiplexes and this might mean there is no space in future for additional third-party stations on those multiplexes, the CMA has also considered whether Bauer has the incentive to foreclose other local radio stations from the Acquired Multiplexes.

#### *Incentive*

284. Pre-Acquisitions, the Acquired Multiplexes owned by Lincs, Wireless and UKRD carried potentially competing stations (owned by Global and others). The Acquisitions do not change this situation. Except for the Plymouth and Cornwall multiplexes, the interests Bauer has acquired are in local areas where it did not, prior to the Acquisitions, operate a DAB station. In relation to Plymouth and Cornwall, Bauer's Hits Radio is present on the Cornwall and Plymouth multiplexes, but Bauer does not carry local advertising on those stations. Accordingly, the CMA does not believe Bauer has an incentive to foreclose radio stations from the acquired multiplex in order to benefit its stations broadcasting on those multiplexes via DAB.
285. The Multiplexes acquired by Bauer under the Acquisitions are also, with the exception of Suffolk (where Bauer is acquiring a [✂] interest), not in areas where Bauer has an FM station which supplies local advertising to a similar area. The Bauer station broadcasting in Suffolk (Kiss East) covers a much wider area and carries little local advertising. Given the limited competition between Kiss East and more local stations (described in the local area assessment above), the CMA does not believe Bauer has an incentive to foreclose radio stations from the Suffolk multiplex in order to benefit its FM station (Kiss East).
286. Therefore, the CMA does not believe the Acquisitions give Bauer the incentive to foreclose other local radio stations from the Acquired Multiplexes.

#### *Effects*

287. As the CMA has found the Acquisitions do not give Bauer the ability and/or incentive to foreclose other radio stations from the Acquired Multiplexes, it has not needed to consider effects.

*Conclusion on vertical effects as a result of Bauer's supply of multiplex services*

288. For the reasons set out above, the CMA has found that the Acquisitions do not give Bauer the ability and/or incentive to foreclose other radio stations from the multiplexes acquired by Bauer. Accordingly, the CMA found that the Acquisitions do not give rise to a realistic prospect of an SLC as a result of vertical effects in relation to the supply of multiplex services in the UK to local radio stations.

***Barriers to entry and expansion***

289. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether such entry or expansion would be timely, likely and sufficient.<sup>83</sup>
290. The CMA's investigation has examined radio licensing and the allocation of licenses and spectrum. The number of licences to operate analogue radio stations is finite, and constraints on the availability of spectrum make it unlikely that any new licences will be available in the foreseeable future. Any new entrant would therefore necessarily be replacing an existing operator.
291. The evidence available indicates that there are high barriers to entry and expansion in the supply of national radio advertising, and scale advantages for incumbent suppliers. One third party told the CMA that in order to supply national radio advertising independently (rather than through a large existing sales house, such as FRS prior to the Acquisitions) a radio station must have at least 250,000 weekly listeners.
292. The CMA acknowledges there is scope for new digital radio entrants to gain access to capacity on local multiplexes in some areas. The CMA also notes Ofcom's trial of small-scale multiplexes in certain areas. However, the available evidence indicates that, in a considerable number of other areas, local multiplexes are full. In addition, the CMA has found that obtaining and using DAB licences is expensive, especially given that a significant proportion of listening is still via analogue frequencies and hence unavailable to digital-only stations. This means entry may be difficult even where capacity is available. Overall, the CMA believes that the capacity available is too limited

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<sup>83</sup> See [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, from paragraph 5.8.1.

and expensive to ensure timely, likely and sufficient entry to offset the competition concerns identified.

293. For the reasons set out above, in particular the limited availability of radio spectrum and the challenges new entrants would face in accessing prime multiplexes, the CMA believes that entry or expansion would not be sufficient, timely or likely to prevent a realistic prospect of an SLC as a result of the Acquisitions.

## Conclusion on substantial lessening of competition

294. Based on the evidence set out above, the CMA believes that it is or may be the case that:
- (a) the **Celador Acquisition** has resulted, or may be expected to result in an SLC in the supply of commercial radio services in the UK as a result of horizontal unilateral effects in the supply of commercial radio advertising in **the West of England**, in relation to the overlaps between: (i) Celador's Sam FM and The Breeze (South West); and (ii) Bauer's Kiss West;
  - (b) The **Wireless Acquisition** has resulted, or may be expected to result in an SLC in the supply of commercial radio services in the UK as a result of horizontal unilateral effects in the supply of commercial radio advertising in **the West Midlands**, in relation to the overlaps between: (i) **Wireless'** Signal 107; and (ii) Bauer's Free Radio FM Birmingham & Black Country and Free Radio FM Shropshire; and
  - (c) The **Lincs Acquisition** has resulted, or may be expected to result in an SLC in the supply of commercial radio services in the UK as a result of horizontal unilateral effects in the supply of commercial radio advertising in **Yorkshire**, in relation to the overlaps between: (i) Lincs' Trax FM, Dearne FM, and Rother FM; and (ii) Bauer's Hallam FM; and
  - (d) The **Celador Acquisition**, the **Wireless Acquisition**, the **Lincs Acquisition**, and the **UKRD Acquisition** have collectively resulted, or may be expected to result in an SLC as a result of vertical effects in the supply of commercial radio advertising as a result of the loss of FRS as a national radio advertising sales house.

## Decision

295. Consequently, the CMA believes that it is or may be the case that:

- (i) a relevant merger situation has been created as a result of the Celador Transaction, and the creation of that situation has resulted, or may be expected to result, in an SLC within a market or markets in the United Kingdom;
- (ii) a relevant merger situation has been created as a result of the Wireless Transaction, and the creation of that situation has resulted, or may be expected to result, in an SLC within a market or markets in the United Kingdom;
- (iii) a relevant merger situation has been created as a result of the Lincs Transaction, and the creation of that situation has resulted, or may be expected to result, in an SLC within a market or markets in the United Kingdom; and
- (iv) a relevant merger situation has been created as a result of the UKRD Transaction; and the creation of that situation, in combination with the Celador Transaction, the Wireless Transaction, and the Lincs Transaction, has resulted, or may be expected to result, in an SLC within a market or markets in the United Kingdom.

296. The CMA therefore believes that it is under a duty to refer under section 22(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.<sup>84</sup> Bauer has until Wednesday 31 July 2019<sup>85</sup> to offer an undertaking to the CMA.<sup>86</sup> The CMA will refer the Acquisitions for a Phase 2 investigation<sup>87</sup> if Bauer does not offer an undertaking by this date; if Bauer indicates before this date that it does not wish to offer an undertaking; or if the CMA decides<sup>88</sup> by Wednesday 7 August 2019 that there are no reasonable grounds for believing that it might accept the undertaking offered by Bauer, or a modified version of it.

297. The statutory four-month period mentioned in section 24 of the Act in which the CMA must reach a decision on reference in this case expires on 31 July 2019 for the Celador Acquisition, 13 August 2019 for the Lincs Acquisition, 13 August 2019 for the Wireless Acquisition, and 8 August 2019 for the UKRD Acquisition. For the avoidance of doubt, the CMA hereby gives Bauer notice pursuant to section 25(4) of the Act that it is extending the four-month period mentioned in section 24 of the Act for all four Acquisitions. This extension

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<sup>84</sup> Section 22(3)(b) of the Act.

<sup>85</sup> Section 73A(1) of the Act.

<sup>86</sup> Section 73(2) of the Act.

<sup>87</sup> Sections 22(1) and 34ZA(2) of the Act.

<sup>88</sup> Section 73A(2) of the Act.

comes into force on the date of receipt of this notice by Bauer and will end with the earliest of the following events: the giving of the undertakings concerned; the expiry of the period of ten working days beginning with the first day after the receipt by the CMA of a notice from Bauer stating that it does not intend to give the undertakings; or the cancellation by the CMA of the extension.

**Colin Raftery**  
**Senior Director of Mergers**  
**Competition and Markets Authority**  
**24 July 2019**

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<sup>i</sup> Following announcement of the decision on 24 July 2019, the CMA became aware that this paragraph should have instead read as: *'the Acquisitions collectively give rise to a realistic prospect of an SLC as a result of vertical effects in the supply of **local** commercial radio advertising resulting from the loss of FRS as a national advertising sales house.'*

<sup>iii</sup> Following announcement of the decision on 24 July 2019, the CMA became aware that this paragraph should have instead read as: *'Accordingly, the CMA found that the Acquisitions raise significant competition concerns across the UK as a result of **vertical effects** in relation to the supply of local radio advertising as a result of the loss of FRS as a national radio advertising sales house.'*

<sup>iii</sup> Following announcement of the decision on 24 July 2019, the CMA became aware that this paragraph should have instead read as: *'The CMA cannot exclude the possibility that each Acquisition individually, or certain combinations of Acquisitions, may raise significant competition concerns across the UK as a result of **vertical effects** in relation to the supply of local radio advertising as a result of the loss of FRS as a national radio advertising sales house. However, the CMA does not need to conclude on the individual effects of each Acquisition given its finding that the Acquisitions, in combination, raise significant competition concerns.'*

## Annex 1: Local advertising, results of initial filtering exercise

1. The table below shows each station which overlaps with at least one station of one of the other merging Parties. It shows the region they operate in, the listening share increment, the closest competitor based on geographic coverage, the centroid overlap, competitor overlap, and joint overlap for the closest competitor. The table also contains an indicator showing the results of the initial filtering and which stations the CMA assessed in further detail (as a result of failing the initial filter or for other reasons).

Region	Centroid TSA	Listener increment	Listener share increment below 1%	Closest geographic competitor	Centroid Overlap	Competitor Overlap	Joint overlap	Joint Overlap below 25%	Assessed further as failed initial filter	Assessed further for other reasons
West	Kiss (West)	7%		The Breeze South West (Bristol/ Weston/ Bath and West Wilts) (Celador)	43%	100%	43%		X	
West	Sam FM Bristol	19%		Kiss (West) (Bauer)	100%	33%	33%		X	
West	The Breeze (Yeovil/ Shaftesbury and Bridgwater)	19%		Kiss (West) (Bauer)	67%	13%	9%	X		
West	The Breeze South West (Bristol/ Weston/ Bath and West Wilts)	19%		Kiss (West) (Bauer)	100%	43%	43%		X	
East of England	Celador East 3: Radio Norwich, The Beach, Town 102 combined	24%		Kiss (East) (Bauer)	100%	38%	38%		X	
East of England	Celador East 5: Radio Norwich, The Beach, Town 102, North Norfolk, Dream combined	24%		Kiss (East) (Bauer)	88%	49%	43%		X	
East of England	Dream 100	24%		Kiss (East) (Bauer)	62%	8%	5%	X		
East of England	KL.FM 96.7	15%		Kiss (East) (Bauer)	72%	6%	5%	X		
East of England	Kiss (East)	20%		Radio Norwich (Celador)	16%	100%	16%	X		X



Region	Centroid TSA	Listener increment	Listener share increment below 1%	Closest geographic competitor	Centroid Overlap	Competitor Overlap	Joint overlap	Joint Overlap below 25%	Assessed further as failed initial filter	Assessed further for other reasons
East of England	North Norfolk Radio	23%		Kiss (East) (Bauer)	61%	3%	2%	X		
East of England	Radio Norwich	19%		Kiss (East) (Bauer)	100%	16%	16%	X		
East of England	THE BEACH	13%		Kiss (East) (Bauer)	100%	8%	8%	X		
East of England	Town 102	20%		Kiss (East) (Bauer)	100%	13%	13%	X		
West Midlands	Absolute Radio (West Midlands) (was Planet Rock (West Midlands))	2%		Signal 107 (exWireless)	24%	85%	20%	X		
West Midlands	Free Radio FM (Birmingham & Black Country)	2%		Signal 107 (exWireless)	24%	61%	15%	X		X
West Midlands	Free Radio FM (Shropshire)	6%		Signal 107 (exWireless)	77%	28%	22%	X		X
West Midlands	Free Radio FM (Herefordshire & Worcestershire)	10%		Signal 107 (exWireless)	24%	11%	3%	X		X
West Midlands	Signal 107	8%		Free Radio 80s (Shropshire) (Bauer)	28%	77%	22%	X		X
West Midlands	Signal One	1%		Free Radio FM (Shropshire) (Bauer)	4%	8%	0%	X		X
Yorkshire & Lincolnshire	97.2 Stray FM	0%	X							
Yorkshire & Lincolnshire	Dearne FM	19%		Greatest Hits Radio (S.Yorks) (surveyed as Hallam 2) (Bauer)	100%	18%	18%	X		
Yorkshire & Lincolnshire	Hallam FM	20%		Trax FM (Lincs)	27%	95%	26%		X	
Yorkshire & Lincolnshire	Lincs FM (inc. Compass FM & Rutland Radio)	9%		Greatest Hits Radio (E.Yorks & N.Lincs) (surveyed as Viking 2) (Bauer)	35%	36%	13%	X		
Yorkshire & Lincolnshire	Minster FM	6%		Viking FM (Bauer)	14%	5%	1%	X		

Region	Centroid TSA	Listener increment	Listener share increment below 1%	Closest geographic competitor	Centroid Overlap	Competitor Overlap	Joint overlap	Joint Overlap below 25%	Assessed further as failed initial filter	Assessed further for other reasons
Yorkshire & Lincolnshire	Peak 107 FM	25%		Hallam FM (Bauer)	42%	13%	6%	X		
Yorkshire & Lincolnshire	Pulse 1 (was The Pulse)	0%	X							
Yorkshire & Lincolnshire	Ridings FM	11%		Greatest Hits Radio (W.Yorks) (surveyed as Radio Aire 2) (Bauer)	91%	28%	25%		X	
Yorkshire & Lincolnshire	Rother FM	18%		Hallam FM (Bauer)	100%	16%	16%	X		
Yorkshire & Lincolnshire	Trax FM	31%		Hallam FM (Bauer)	95%	27%	26%		X	
Yorkshire & Lincolnshire	Viking FM	30%		Lincs FM (inc. Compass FM & Rutland Radio) (Lincs)	36%	35%	13%	X		
Yorkshire & Lincolnshire	Yorkshire Coast Radio	5%		Greatest Hits Radio (E.Yorks & N.Lincs) (surveyed as Viking 2) (Bauer)	27%	3%	1%	X		
Yorkshire & Lincolnshire	Lincs 3: Dearne FM, Rother FM, Trax FM combined	26%		Hallam FM (Bauer)	98%	62%	60%		X	
North West	102.4 Wish FM	7%		Rock FM (Bauer)	86%	31%	27%		X	
North West	107.2 Wire FM	15%		Radio City (Bauer)	89%	13%	12%	X		
North West	107.4 Tower FM	8%		Hits Radio (Manchester) (was Key 103) (Bauer)	100%	17%	17%	X		
North West	Greatest Hits Radio (Lancashire) (surveyed as Rock FM 2)	6%		Radio Wave 96.5 FM (exWireless)	21%	100%	21%	X		
North West	Hits Radio (Manchester) (was Key 103)	3%		107.4 Tower FM (exWireless)	17%	100%	17%	X		
North West	Radio City	2%		107.2 Wire FM (exWireless)	13%	87%	11%	X		
North West	Radio Wave 96.5 FM	25%		Greatest Hits Radio (Lancashire) (surveyed as Rock FM 2) (Bauer)	100%	21%	21%	X		
North West	Rock FM	7%		102.4 Wish FM (exWireless)	31%	85%	27%		X	

Region	Centroid TSA	Listener increment	Listener share increment below 1%	Closest geographic competitor	Centroid Overlap	Competitor Overlap	Joint overlap	Joint Overlap below 25%	Assessed further as failed initial filter	Assessed further for other reasons
South Coast	Fire Radio	16%		Wave 105 (Bauer)	100%	23%	23%	X		
South Coast	Spire FM	19%		Wave 105 (Bauer)	27%	2%	0%	X		
South Coast	Spirit FM	14%		Wave 105 (Bauer)	66%	7%	5%	X		
South Coast	Wave 105	6%		Fire Radio (Celador)	23%	100%	23%	X		
South Coast	Wessex FM	2%		The Breeze (Yeovil/ Shaftesbury and Bridgwater)	7%	2%	0%	X		
Other [South West]	96.4 FM The Wave	0%	X							
Other [South West]	Pirate FM	0%	X							
Other [South West]	Sam FM Swindon	0%	X	Kiss (West) (Bauer)	4%	0%	0%	X		
Other [South West]	The Breeze (Cheltenham and Gloucester)	0%	X							
Other [South West]	The Breeze South Devon	0%	X							
Other [West of London]	Absolute Radio (London)	1%		Eagle Radio (UKRD)	4%	98%	4%	X		
Other [West of London]	Eagle Radio	22%		Magic (London) (Bauer)	99%	4%	4%	X		
Other [West of London]	Mix 96	15%		Absolute Radio (London) (Bauer)	90%	1%	1%	X		
Other [West of London]	Sam FM Thames Valley	14%						X <sup>89</sup>		
Other [West of London]	The Breeze Thames Valley	9%		Magic (London) (Bauer)	11%	1%	0%	X		

<sup>89</sup> The CMA did not receive coverage data on Sam FM Thames Valley, however based on maps that were submitted it appears likely that this area would fail the second filter.

## Annex 2: FRS stations which may exit or be weakened

- The table below shows the FRS stations which the CMA believes may exit or be weakened by the loss of access to national advertising revenues via FRS, and which have a share of commercial radio listening hours within their TSA of over 5%. It lists the shares of supply (by commercial radio listening hours) of each FRS station and its three largest competitors within that FRS station's TSA.

FRS Stations			Competitor 1			Competitor 2			Competitor 3		
Station	Station owner	Share	Name	Owner	Share	Name	Owner	Share	Name	Owner	Share
[X]	[X]	[20-30]%	[X]	Global	[50-60]%	[X]	[X]	[5-10]%	[X]	[X]	[5-10]%
[X]	[X]	[30-40]%	[X]	Global	[20-30]%	[X]	[X]	[10-20]%	[X]	[X]	[10-20]%
[X]	[X]	[10-20]%	[X]	Global	[20-30]%	[X]	[X]	[20-30]%	[X]	[X]	[10-20]%
[X]	[X]	[10-20]%	[X]	Bauer	[20-30]%	[X]	[X]	[10-20]%	[X]	[X]	[10-20]%
[X]	[X]	[5-10]%	[X]	Bauer	[30-40]%	[X]	[X]	[10-20]%	[X]	[X]	[10-20]%
[X]	[X]	[10-20]%	[X]	Global	[40-50]%	[X]	[X]	[20-30]%	[X]	[X]	[5-10]%
[X]	[X]	[5-10]%	[X]	Global	[40-50]%	[X]	[X]	[20-30]%	[X]	[X]	[10-20]%
[X]	[X]	[10-20]%	[X]	Bauer	[40-50]%	[X]	[X]	[10-20]%	[X]	[X]	[10-20]%
[X]	[X]	[30-40]%	[X]	Global	[50-60]%	[X]	[X]	[10-20]%	[X]	[X]	-
[X]	[X]	[10-20]%	[X]	Global	[20-30]%	[X]	[X]	[10-20]%	[X]	[X]	[5-10]%
[X]	[X]	[30-40]%	[X]	Bauer	[50-60]%	[X]	[X]	[10-20]%	[X]	[X]	-
[X]	[X]	[20-30]%	[X]	Bauer	[30-40]%	[X]	[X]	[30-40]%	[X]	[X]	[0-5]%

FRS Stations			Competitor 1			Competitor 2			Competitor 3		
Station	Station owner	Share	Name	Owner	Share	Name	Owner	Share	Name	Owner	Share
[X]	[X]	[5-10]%	[X]	Global	[30-40]%	[X]	[X]	[5-10]%	[X]	[X]	[5-10]%
[X]	[X]	[10-20]%	[X]	Global	[60-70]%	[X]	[X]	[10-20]%	[X]	[X]	-
[X]	[X]	[20-30]%	[X]	Global	[20-30]%	[X]	[X]	[20-30]%	[X]	[X]	[10-20]%
[X]	[X]	[20-30]%	[X]	Global	[50-60]%	[X]	[X]	[10-20]%	[X]	[X]	[5-10]%
[X]	[X]	[10-20]%	[X]	Global	[40-50]%	[X]	[X]	[20-30]%	[X]	[X]	[5-10]%
[X]	[X]	[10-20]%	[X]	Bauer	[10-20]%	[X]	[X]	[10-20]%	[X]	[X]	[10-20]%
[X]	[X]	[20-30]%	[X]	Bauer	[40-50]%	[X]	[X]	[10-20]%	[X]	[X]	[5-10]%
[X]	[X]	[10-20]%	[X]	Bauer	[60-70]%	[X]	[X]	[10-20]%	[X]	[X]	-