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28 MAY 2019

BAUER MEDIA GROUP

FINAL MERGER NOTICE

**COMPLETED ACQUISITION BY BAUER MEDIA GROUP
OF UKRD GROUP LIMITED**

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1. INTRODUCTION

- 1.1 Bauer Media Group and affiliated companies ("**Bauer**") provided the CMA with a briefing paper on 15 February 2019 in respect of its completed acquisitions of certain radio stations operated by Celador Entertainment Limited, Lincs FM Group Limited and Wireless Group Limited (the "**Briefing Paper**"). It provided responses on 5 March, 15 March and 22 March 2019 to the CMA's Section 109 Notices of 1 March 2019 in relation to those acquisitions. A consolidated response to the Section 109 Notices (the "**First S.109 Response**") was provided on 24 April 2019. In this Notice, where appropriate, reference is made to explanation and analysis or data provided in the First S.109 Response so as to avoid repetition. Defined terms used below have the same meaning as in Bauer's prior CMA submissions save where otherwise provided in this paper.
- 1.2 In order to prepare this Notice certain information has been obtained from UKRD Group Limited ("**UKRD**"). Given the imposition of an initial enforcement order in relation to UKRD that information has been provided on a counsel only confidential basis to Herbert Smith Freehills LLP and has not been disclosed to Bauer.
- 1.3 **This Notice contains confidential information and business secrets and should not be disclosed to third parties.** The information and analysis has been prepared by Bauer to the best of its ability in the time available. Bauer stands ready to provide any further explanation or assistance that the CMA may reasonably require.

2. EXECUTIVE SUMMARY

- 2.1 This Notice concerns the completed acquisition by Bauer of UKRD (together with Bauer, the "**Parties**").
- 2.2 Bauer is a multi-national media company with varied interests in print, radio, television and digital operations. Bauer owns and operates a portfolio of commercial radio stations that broadcast locally and nationally in the UK under a number of key brands, including "Kiss", "Absolute", "Magic" and "Greatest Hits".
- 2.3 UKRD owns and operates ten local commercial radio stations in the UK. It also has interests in three local DAB multiplexes in the North Yorkshire, Surrey and Suffolk and Cornwall areas and is the operator of the Cambridge small scale multiplex, licensed by Ofcom as part of a trial until March 2020. UKRD does not operate any national commercial radio stations.¹ It jointly owns FRS, a national sales house for radio advertising with Wireless Group.
- 2.4 Bauer's offer to acquire UKRD values it at [X]. More detailed information concerning the Parties and the Transaction is provided in **Section 3**.
- 2.5 Bauer estimates that it has shares of commercial radio listening, commercial radio revenues and national airtime revenues in excess of 25% and although UKRD's shares are *de minimis*, in combination with Bauer's existing shares of supply, this may provide a basis for CMA jurisdiction. UKRD turnover in its most recent financial year to end September 2018 was only £17.26m. See **Section 4**.
- 2.6 The Parties overlap in relation to the provision of advertising services (airtime and sponsorship and promotion) on a national basis and also on a local basis in those areas in which the coverage of the Bauer and UKRD licences overlap. **Section 6** sets out the assessment framework for transactions in commercial radio.
- 2.7 At the national level, Bauer understands that UKRD sells advertising through FRS (which it jointly owns with Wireless). FRS also represents other stations nationally including the Wireless, Celador and Lincs Group stations that Bauer has acquired. Bauer sells its own national airtime directly. [X]. Customers are mainly media buyers purchasing airtime for their advertiser clients.
- 2.8 At the local level UKRD and Bauer sell advertising through a local station's sales teams

¹ Other than Encore Radio which is primarily an internet radio service but which also has DAB carriage in Surrey.



directly to advertisers and local advertising agencies that are seeking to target audiences within the station's coverage area.

- 2.9 The Transaction does not result in a substantial lessening of competition at the national level (see **Section 7**).
- 2.10 In relation to national airtime:
- 2.10.1 Bauer will have a share of [30-40%] (and [30-40%] if the Celador, Wireless and Lincs stations recently acquired are included). The share increment arising from the Transaction is small; UKRD on its own accounts for [0-5%] of national airtime sales. FRS (including UKRD [X]) has a share of [0-5%]. The main player is Global with a share of approximately [55-60%] (including the Communicorp stations that it represents).
- 2.10.2 UKRD/FRS is [X] in relation to national airtime. It is not [X] able to offer a portfolio of stations with the audience shares, reach, geographic coverage and national brands of the Bauer and Global portfolios. [X] the agencies commit to spend a proportion of their radio budgets with the station operator. This accounts for the bulk of national airtime spending.
- 2.10.3 Bauer competes with Global and that competition will be unaffected by the Transaction. Furthermore, the media buyers have considerable bargaining power and can play off Bauer against Global by credibly suggesting that they will switch spend. That buyer power is unaffected by the Transaction.
- 2.11 In relation to national sponsorship and promotion the position is similar:
- 2.11.1 Bauer has a share of approximately [20-30%] and FRS as a whole including the stations recently acquired by Bauer is less than [0-5%]. Global is estimated to have a [55-60%] market share and Wireless national stations, [5-10%].
- 2.11.2 FRS is a [X], limited coverage particularly in major conurbations, the lack of any national station brands and a small creative team.
- 2.11.3 Bauer competes with Global and that will be unaffected by the Transaction. As with airtime, the media buying agencies have buyer power and that also will be unaffected by the Transaction.
- 2.12 At the local level there are some small overlaps in the coverage of five UKRD stations and the Bauer stations. The Transaction will not give rise to a substantial lessening of competition at the local level (see **Section 8**). The Bauer and UKRD stations are not substitutes for local advertisers given:
- 2.12.1 The limited geographical overlaps (and in some cases material differences in the population covered) which means that advertisers would incur significant wastage in using the Bauer station to target the local UKRD audience or vice versa;
- 2.12.2 Material differences in audience share and reach; and
- 2.12.3 Differences in station formats with different local target audience demographics as a result.
- 2.13 For completeness although both Bauer and UKRD have interests in local DAB multiplexes there is no relevant overlap as local multiplexes do not compete.

3. THE PARTIES AND THE TRANSACTION

Bauer

- 3.1 A full description of Bauer, including relevant information on its activities and turnover, was provided in the Briefing Paper (paragraphs 2.1 – 2.3 and Annex 1). Further information concerning its corporate structure was provided in the answer to question 11 of the First



S.109 Response.

UKRD

- 3.2 UKRD is a commercial radio broadcaster operating solely in the UK.
- 3.2.1 It owns and operates 10 local commercial FM radio stations² which are listed in **Annex 1**. The stations identified in that annex constitute the "UKRD Stations". **Annex 2** is a map showing the location of the coverage areas of these stations. In addition it also operates an internet only radio service, Encore Radio, featuring songs and news relating to musicals;
- 3.2.2 It has interests in 3 local DAB multiplexes: 50% of MuxCo North Yorkshire Ltd. (the balance is owned by MuxCo Ltd.), 50% of MuxCo Surrey and North Sussex Ltd. (the balance is owned by MuxCo Ltd.) and 33.3% of South West Digital Radio Ltd. (covering Plymouth and Cornwall) (the balance is owned by Now Digital, a subsidiary of Arqiva) and is the sole owner and operator of the Cambridge small scale multiplex (licensed as part of a trial until March 2020)³. These provide broadcast services for DAB radio;
- 3.2.3 It has a 50% interest in First Radio Sales ("**FRS**") which operates as a joint venture with Wireless Group who also have a 50% interest.⁴ FRS is a national radio advertising sales house representing five of the UKRD stations, the Wireless Group local stations and Celador and Lincs Group stations (some of which have now been acquired by Bauer), as well as some third party independent local stations; and
- 3.2.4 It also produces software for its radio stations. It has generated a *de minimis* amount of revenue [REDACTED] licensing software to third parties.⁵
- 3.3 UKRD's turnover for the financial year ended September 2018 was £17.26m (£19.09m for FY17). Turnover for FY18 on a continuing operations basis (after disposals) was £15.6m. Copies of UKRD's Annual Report and Accounts for FY17 and FY18 are attached at **Annexes 3.1 and 3.2**.
- 3.4 A structure chart for UKRD is at **Annex 3.3**.

The Transaction

- 3.5 On 1 March 2019, Bauer Radio Limited and shareholders of UKRD accounting for more than 75% of the voting interests in UKRD entered into a Letter Agreement and Deed of Offer in relation to Bauer Radio making an offer to acquire the shares in UKRD. A copy of that Letter Agreement is at **Annex 4.1**, the Deed of Offer is at **Annex 4.2** and the related Deed of Warranty is at **Annex 4.3**.
- 3.6 [REDACTED].⁶
- 3.7 The acquisition of UKRD by Bauer completed on 31 March 2019.
- 3.8 [REDACTED].
- 3.9 The offer values UKRD at [REDACTED].
- 3.10 Included at **Annex 4.4** is a press release issued by Bauer in relation to the Transaction on 5 March 2019.

Pre-Transaction Links

² There are 11 FM licences: Yorkshire Coast comprises two, Bridlington and Scarborough. In addition, UKRD operates two DAB only services: Pirate 80s and Eagle 80s. The audiences of these are so small that they are not reported on by RAJAR. It also operates Encore which is primarily an internet radio service but which also has DAB carriage in Surrey; again the local audience is too small to be reported on by RAJAR.

³ For further information about Ofcom's trial of small scale multiplexes, please refer to the response to question 10 of the Second Section 109 Notice issued in respect of Bauer's acquisition of Celador, Wireless and Lincs on 27 March 2019 and submitted to the CMA in consolidated form on 24 April 2019.

⁴ Bauer did not acquire Wireless' 50% interest when it acquired certain local stations from Wireless.

⁵ See www.ukrd.com/labs/.

⁶ [REDACTED].



- 3.11 The only link between Bauer and UKRD is that Bauer acquires DAB access services from South West Digital for DAB only versions of Hits Radio and Greatest Hits Radio. [REDACTED].

Rationale

- 3.12 The rationale for the Transaction is the same as for the Celador, Wireless and Lincs Group transactions and is set out in the Briefing Paper (paragraph 3.13). In summary, the rationale is to enable Bauer to:

3.12.1 broaden its geographic footprint particularly in southern UK, target new audiences and serve existing advertisers better through a stronger portfolio of stations through the acquisition of complementary stations (in terms of geography and audience);

3.12.2 [REDACTED]; and

3.12.3 [REDACTED].

- 3.13 [REDACTED].⁷ [REDACTED].

- 3.14 [REDACTED].⁸ [REDACTED].

Other Notifications

- 3.15 The Transaction will not be notified in any other jurisdictions.

Prior Transactions

- 3.16 In relation to UK commercial radio Bauer has in the last two years undertaken transactions disclosed to the CMA in prior correspondence, including in the Briefing Paper. It also acquired Jazz FM, [REDACTED].

- 3.17 UKRD has sold a number of its stations:

3.17.1 2BR (Lancashire) to Global in July 2018;

3.17.2 Sun FM (Sunderland) to Nation in April 2018;

3.17.3 Alpha Radio (North Yorkshire) to VTG UK Limited in March 2017; and

3.17.4 Star Radio (Cambridge) to Mid-Anglia Media in January 2017.

4. JURISDICTION

- 4.1 The relevant UK turnover of UKRD was £17.26m in the 2018 financial year. As such, the Transaction does not qualify for review under the EU Merger Regulation. The relevant turnover of UKRD is also insufficient to provide a basis for CMA jurisdiction pursuant to section 23(1)(b) of the Enterprise Act 2002.

- 4.2 Bauer and UKRD overlap in the supply of commercial radio services; a two-sided market in which radio stations compete both for advertisers and listeners.⁹

- 4.3 In relation to the supply of commercial radio services either to listeners or advertisers in the UK the share of supply test is likely to be met judged by reference to shares of the national commercial radio audience, commercial radio revenues or national commercial advertising revenues. In each case Bauer estimates that it has a share of in excess of 25% and the Transaction would increase that share. In relation to¹⁰:

4.3.1 Commercial radio revenues: Bauer estimates that it has a share of [30-40%] and

⁷ [REDACTED].

⁸ [REDACTED].

⁹ This reflects the approach of the CMA in its review of previous mergers in the sector, most recently the anticipated acquisition of Global Radio Holdings Limited of Juice Holdco Limited, 5 October 2015 published on 22 October 2015 (see paragraphs 3, 17-19). As explained in the Briefing Paper (paragraphs 4.1-4.2) the CMA has considered that the interests of listeners are protected by the presence of the BBC and commercial radio regulation by Ofcom such that its frame of reference is radio advertising.

¹⁰ The share estimates take account of the completed acquisitions of Celador, Lincs Group and Wireless stations which are included in the Bauer share of supply.



- UKRD has a share of [0-5%].¹¹
- 4.3.2 Commercial radio listening: Bauer has a share of [30-40%]¹² and UKRD has a share of [0-5%] (see **Table 1** below); and
- 4.3.3 National advertising revenues: Bauer estimates that it has a share of [30-40%]¹³ and UKRD has a share of [0-5%] (see **Table 1** below).
- 4.4 Accordingly, while the shares of supply of the local UKRD Stations are *de minimis*, in combination with Bauer's pre-existing shares of supply these may provide a basis for CMA jurisdiction for the purposes of section 23(4) of the Enterprise Act 2002.
- 4.5 For completeness it is noted that while both Bauer and UKRD are involved in the provision of local DAB multiplex services, Bauer does not consider that the share of supply test would be met in respect of this service. This is because UKRD only has shareholdings in three local DAB multiplexes in which Bauer has no interest. The licences for local multiplexes are granted on an exclusive basis by Ofcom. It is not therefore possible to offer a competing multiplex service from another local multiplex. Although Bauer has a [X] interest in one of the two national multiplexes (Sound Digital) these are not suitable to provide local DAB coverage (conversely, the 3 local multiplexes in which UKRD has an interest would not collectively be able to offer DAB services on a national basis). It follows that there is no meaningful overlap or increment in relation to shares of supply of relevant DAB multiplex services.

5. **SUPPORTING DOCUMENTS**

- 5.1 Bauer has provided documents which set out the rationale for the Transaction [X].
- 5.2 Bauer has also provided market studies and analysis [X].
- 5.3 Bauer's annual account and reports, management accounts and business plan have been provided [X].
- 5.4 UKRD's supporting documents are provided [X]:
- 5.4.1 [X];
- 5.4.2 [X]¹⁴ [X];
- 5.4.3 [X];
- 5.4.4 [X]; and
- 5.4.5 [X].

6. **ASSESSMENT FRAMEWORK**

- 6.1 Bauer adopts the approach set out in the Briefing Paper (paragraphs 4.1 - 4.2).

Market Definition

- 6.2 Commercial radio is a two-sided market in which competition occurs for both listeners and advertisers. In assessing the competitive impact of the Transaction, Bauer has taken account of the decisional practice of the CMA in its review of Global Radio's acquisition of Juice Holdings ("**Global Radio/Juice**")¹⁵, the Office of Fair Trading in its review of Bauer's acquisition of Absolute Radio ("**Bauer/Absolute Radio**")¹⁶ and the Competition

¹¹ On 7 February 2019, Radiocentre (www.radiocentre.org) reported that commercial radio advertising revenues were estimated at £713.3m in 2018. This is line with the Briefing Paper (paragraphs 5.1 - 5.3) which used an estimate of commercial radio revenues in the UK in 2018 of [X].

¹² Taking account of the Celador, Lincs Group and Wireless acquisitions.

¹³ Taking account of the Celador, Lincs Group and Wireless acquisitions.

¹⁴ As set out in **Table 3** below, to the extent there are overlaps with Bauer local stations these are Kiss FM (East), Viking FM/Greatest Hits Radio and Wave 105 which are all overlap stations for the purposes of the First S.109 Response. There is in addition a very minor overlap between Minster FM (UKRD) and TFM and Greatest Hits Radio (Teesside). This is *de minimis*.

¹⁵ M/6546/15, decision published 22 October 2015.

¹⁶ ME/6158/13, decision published 20 December 2013.



Commission in its review of Global Radio's acquisition of GMG.¹⁷

- 6.3 The CMA has, in these cases, taken as the relevant frame of reference the provision of commercial radio advertising services, without further defining the market by reference to the types of advertising (contracted/non-contracted airtime and sponsorship and promotion ("**S&P**")), or geographical coverage. It found that it was not necessary to consider the effects on radio listeners as their interests are protected by commercial radio regulation (primarily through OFCOM) and the presence of the BBC as a significant alternative to commercial radio for listeners, such that those transactions would not give rise to concerns for listeners.
- 6.4 In its assessment of the Bauer/Absolute transaction the CMA found that:
- 6.4.1 the two main revenue streams for commercial radio are the sale of airtime (broadcast in programme commercial breaks) and S&P which involves associating a brand with a station or programme through advertising in the programme itself;¹⁸
- 6.4.2 airtime can be purchased directly by advertisers or through media agencies. The larger agencies purchase airtime through annual contracts which set out the terms under which they can purchase airtime for their clients; this is referred to as "contracted advertising". As set out above (paragraph 3.14) the largest of these contracts contain a commitment by the agency to spend a specified proportion of their radio advertising with the radio operator in return for discounts. Smaller agencies and advertisers may purchase airtime on a campaign-by-campaign basis which is referred to as "non-contracted advertising";¹⁹ and
- 6.4.3 S&P is generally purchased on a campaign-by-campaign basis.²⁰
- 6.5 As regards geographic scope, the CMA found in *Bauer/Absolute Radio* that:
- 6.5.1 radio stations require a licence (issued by Ofcom) which specifies the broadcast area (the measured covered area) although audiences are measured over a slightly wider area known as the total survey area ("**TSA**"). Licence areas may be local, regional or national;²¹ and
- 6.5.2 overlapping local and regional stations can compete for local advertisers/agencies and can offer national advertising where they are part of a broader portfolio of stations broadcasting the same campaign.²²
- 6.6 The CMA has examined the effects of transactions involving commercial radio by reference to the types of advertising supplied and in respect of local stations those local geographical coverage areas where the parties operate and there is some overlap.
- 6.7 In relation to local radio advertising Bauer considers that local stations compete with local newspapers and online advertising. In relation to S&P at the national level there is competition from other media, in particular television, to win S&P campaigns. However, given that the Transaction does not give rise to any competition concerns on a narrower commercial radio advertising frame of reference these wider constraints are not discussed further in this Notice.

Horizontal Overlaps

- 6.8 Bauer and UKRD overlap in relation to:
- 6.8.1 Advertising services offered on a national basis, although it should be noted that UKRD does not operate any national stations so advertising can only be offered

¹⁷ ME/5561/12, decision published 21 May 2013.

¹⁸ *Bauer/Absolute Radio*, paragraphs 9 and 11.

¹⁹ *Bauer/Absolute Radio*, paragraphs 10 and 13

²⁰ *Bauer/Absolute Radio*, paragraph 12.

²¹ *Bauer/Absolute Radio*, paragraph 24.

²² *Bauer/Absolute Radio*, paragraph 25.



through a broader portfolio of stations. UKRD offers national advertising through FRS.

- 6.8.2 Advertising services offered on a local basis where Bauer and UKRD have local stations with overlapping coverage areas.²³
- 6.9 Bauer has therefore considered the effects of the Transaction at a national and local level within the overall market for radio advertising.²⁴
- 6.10 For the reasons set out above, at paragraph 4.5, Bauer considers that there is no relevant horizontal overlap between it and UKRD with respect to the provision of DAB multiplex services, therefore this is not considered further as a horizontal issue. UKRD via South West Digital Radio provides local DAB access services to Bauer for its Hits Radio and Greatest Hits Radio DAB only service. This is addressed in the context of whether the Transaction gives rise to any vertical effects in section 11 below.²⁵
- 6.11 Finally, there is no overlap in the provision of software development services. UKRD's activities are *de minimis* and Bauer does not provide software development services to third parties.

Counterfactual

- 6.12 Bauer considers that for present purposes UKRD would have continued as it had done pre-Transaction and that the pre-merger situation should be considered as the counterfactual in this case. However, prior to the Transaction, UKRD has sold a number of its radio stations and Bauer considers that if UKRD was not acquired by Bauer then it may have been acquired by another commercial radio operator, [REDACTED], or alternatively would have continued to sell radio stations. [REDACTED].

7. NATIONAL ASSESSMENT

Overall

- 7.1 Radiocentre, the UK industry body for commercial radio, reported that all commercial radio advertising revenues (which include local advertising and S&P) were £713.3m in 2018.²⁶
- 7.2 On this basis Bauer (together with the Celador, Lincs FM and Wireless stations) would have a [30-40%] of commercial radio advertising revenues. It is estimated that UKRD would account for a [0-5%] share.

Contracted and Non-Contracted Airtime

- 7.3 Global operates a national sales house to directly sell its portfolio of local and national stations. Global also represents the Communicorp local stations on a national basis. Bauer operates its own national sales house [REDACTED].²⁷ Wireless directly sells airtime for its national TalkSport and Virgin Radio services.
- 7.4 UKRD sells some of its national advertising through FRS, the sales agency that it jointly owns with Wireless, but only in respect of five of its stations. UKRD's public strategy is to reduce its reliance on FRS and for the other five stations [REDACTED].²⁸ In addition to UKRD, FRS currently represents the Celador, Lincs Group and local Wireless stations acquired by Bauer. FRS also represents smaller independent local stations, [REDACTED].
- 7.5 The ability of most commercial radio operators to attract national advertising campaigns, and in particular agency contracts, tends to broadly correlate to their share of the national radio

²³ Bauer operates national stations, both analogue and digital, UKRD does not. These do not offer advertising on a local basis. It would not be commercially viable for a local advertiser to use a national service.

²⁴ Bauer only considers local advertising to the extent that a relevant UKRD Station geographically overlaps with a Bauer station in terms of their respective broadcast areas.

²⁵ It should also be noted that 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.

²⁶ See "Commercial radio 2018 ad revenue tops £700m. for the first time" (7 February 2019), www.radiocentre.org.

²⁷ [REDACTED].

²⁸ [REDACTED].



audience. However, for the smaller players (which includes UKRD) their share of national advertising is smaller than their share of commercial listening.²⁹ Global, the leading UK commercial operator, achieves a larger share of national airtime than its share of listening.

7.6 **Table 1** shows the share of national commercial audience and Bauer's estimate of national advertising revenues.³⁰

Table 1: Shares of national commercial radio listening audience and estimated national advertising sales (Q4 2018)

Operator	Share of commercial listening (UK) (%)	Estimated share of national airtime revenue (%) ³¹
Global	45	[50-60]
Communicorp	5.4	[5-10]
Global and Communicorp combined (Global sells advertising on behalf of Communicorp)	50.4	[50-60]
Bauer [§]	[30-40]	[30-40]*
Celador, Lincs Group and Wireless local stations acquired by Bauer	3.9	[0-5]
UKRD	1.3	[0-5]**
Bauer and UKRD	[30-40]	[30-40]
Other stations represented by FRS	[0-5]	[0-5]***
Wireless National radio stations (TalkSport)	5.1	[0-5]
Others	2.2	[0-5]

Source: RAJAR, Radiocentre and Bauer estimates

*[§].

** [§].

***FRS also represents a number of individual third party local stations so that if these are included the Bauer share would be [30-40%].

7.7 It is clear from **Table 1** that Global, which also sells national advertising on behalf of Communicorp, is the UK market leader in relation to both the national audience and advertising spend, with an estimated total share of approximately [50-60]% of national advertising revenue (nearly [§] larger than Bauer). Global dwarves UKRD, whether considered on its own or taken together with FRS.

7.8 Global will remain the primary competitor to Bauer at the national level. Wireless, selling its national brands TalkSport and Virgin Radio, is a distant third. The rivalry between Global and Bauer is a key feature of competition in the UK commercial radio sector. This significant rivalry is not adversely affected by the Transaction. Indeed as explained above [§]. Global has and will continue to exercise a significant competitive constraint on Bauer. The rivalry between Global and Bauer will continue to provide advertisers, including large media purchasers, with a range of advertising options [§].

7.9 Bauer's close focus on Global can be seen in [§]³² [§].

7.10 National airtime is sold almost exclusively to agencies and the bulk of this is through share deals with the agencies. In order to win agency contracts and in particular share deals, an

²⁹ The ratio of share of advertising revenue to share of listening is known as the "power" ratio. [§].

³⁰ In *Bauer/Absolute Radio*, the CMA accepted that there were no reliable sources for shares of supply but that third parties tended to agree with the parties view that the ability to attract advertising was correlated with audience size; see paragraph 42.

³¹ Shares of commercial advertising revenues are based on the Parties' best estimates and draw on data concerning national commercial radio advertising revenues published by Radiocentre.

³² [§].



operator's portfolio of stations must have a high share of national listening and reach, coverage across the UK and a broad audience demographic. Increasingly there is a focus on national station brands. Bauer offers its City, Kiss, Absolute Radio and Magic Networks; Global offers Heart, Capital, Classic FM and Smooth. Wireless has TalkSport and Virgin. Bauer's City Network, [REDACTED].³³ Agencies also prefer to buy campaigns through a single sales house that can cover a portfolio of stations with national coverage and a range of DAB services as this gives greater flexibility and is more efficient (through lower transaction costs).

- 7.11 Bauer does not consider UKRD (or FRS) to be a close competitor in respect of airtime sales and UKRD/FRS would not be regarded as a substitute with Bauer by advertisers or media buyers.
- 7.12 First, the CMA has recognised that the ability to attract listeners is a key factor in the ability to attract advertisers. All things being equal, the greater the audience size the greater the ability to attract advertisers.³⁴ As **Table 1** illustrates there are very significant differences in the size of audience that Bauer and Global are able to attract as compared to UKRD/FRS. [REDACTED].
- 7.13 Second, the geographic coverage that UKRD/FRS is able to offer is limited. As **Annex 2** shows UKRD has very limited coverage through its local stations and without any national services.³⁵ [REDACTED]. By contrast Global, Bauer and Wireless can offer media buyers airtime for national campaigns or regional campaigns across the UK.
- 7.14 Third, UKRD/FRS effectively amount to a portfolio of local stations with separate local brands without any national brands. [REDACTED].
- 7.15 Fourth, a substantial proportion of national airtime is sold on a contracted basis to media agencies. **Table 2** shows the breakdown of Bauer's airtime revenues by type of airtime and source of revenue.

Table 2: Bauer airtime revenues 2018

Type of Airtime Advertising	Bauer Revenue	Proportion of Bauer Revenue (%)
Local	[REDACTED]	[REDACTED]
Regional	[REDACTED]	[REDACTED]
National	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]
Source of Revenue		
From Agencies	[REDACTED]	[REDACTED]
Top 4 Agencies	[REDACTED]	[REDACTED]
Top 10 Agencies	[REDACTED]	[REDACTED]

Source: Bauer

- 7.16 Bauer's total airtime sales were [REDACTED] in 2018 of which [REDACTED] was local and [REDACTED] was regional/national. Agency sales accounted for [REDACTED] or [REDACTED] of total airtime sales. The agencies purchasing airtime on this basis belong to media buying groups and they typically negotiate the terms of radio airtime contracts as a group in order to combine their buyer power.³⁶
- 7.17 These agency groups are sophisticated and have substantial negotiating power; they account for a large proportion of the revenues of Global and Bauer but only a very small proportion of their yearly spend across all media is with Global and Bauer.³⁷ The four largest media buying groups, which include a large number of agency brands, are as follows (with

³³

[REDACTED].

³⁴

Bauer/Absolute Radio, paragraph 60.

³⁵

Other than Encore Radio which is internet only save for carriage on the Surrey DAB multiplex.

³⁶

Global/GMG, Competition Commission Report paragraph 6.8.

³⁷

The Competition Commission in Global/GMG estimated that the proportion of agency spend directed to radio in the UK was between 2 and 6%; see Report paragraph 6.8.



Bauer's revenue for each in 2018 in parentheses):

- 7.17.1 Group M, part of the WPP group, which comprises the agencies Mediacom, Mindshare, Mediaedge London, Maxus and M4C (among others) [REDACTED];
 - 7.17.2 Opera, part of the Omnicom group, which comprises the agencies PHD, OMD and MGMOMD [REDACTED];
 - 7.17.3 Dentsu Aegis Network, which comprises the agencies Carat, Vizeum and Aegis (among others) [REDACTED]; and
 - 7.17.4 PMX, part of the Publicis Group SA, which comprises the agencies Zenith, Optimedia and Starcom (among others) [REDACTED].
- 7.18 These four agencies account for [REDACTED] of Bauer's regional/national airtime sales or [REDACTED].³⁸
- 7.19 Other media buying agencies in the UK include Goodstuff, M2M, Magna, Havas, 7Stars and RadioWorks (and account for an additional [REDACTED] in airtime sales).
- 7.20 Bauer has airtime contracts with [REDACTED]. The top 10 media buying agencies account for [REDACTED] of its regional/national airtime sales (or [REDACTED]).
- 7.21 A key feature of the contracts that Bauer and Global have with the major agencies is that [REDACTED].
- 7.22 [REDACTED].
- 7.23 Bauer understands that [REDACTED].
- 7.24 Finally, the media buying agencies hold considerable buying power as the most important channel for selling radio advertising in the UK. As noted above the big 4 agencies account for [REDACTED] of Bauer's regional/national airtime revenue and [REDACTED] of Bauer's total airtime advertising revenues (the top 10 account for [REDACTED] of regional/national airtime revenue and [REDACTED] of total airtime revenues). Accordingly these agencies have sufficient negotiating power to [REDACTED] and will be able to continue to do so post-Transaction. [REDACTED]. As such, the Transaction would not result in any reduction in the existing buying power of the agencies. For example, if post-Transaction Bauer were to seek to increase prices for contracted airtime or improve the terms of agency contracts then the agencies would have several credible ways to exercise that buying power including:
- 7.24.1 [REDACTED].
 - 7.24.2 Additionally, given that media buying groups purchase advertising across multiple forms of media, these groups could threaten to reduce the advertising spend directed to radio in favour of other media if faced with increased prices or unfavourable terms. [REDACTED]. Any attempts to increase prices post-Transaction are likely to result in repercussions or threats of repercussions that would extend to Bauer's other media assets.
- 7.25 In conclusion, the Transaction will not lead to a substantial lessening of competition in respect of contracted or non-contracted airtime. First, the increment arising from the acquisition of UKRD and its 50% interest in FRS is very low. [REDACTED]. The close competition between Bauer and Global at a national level will continue to provide advertisers with a range of advertising options and the means to leverage their purchasing power to seek more favourable terms.
- S&P**
- 7.26 S&P is a more bespoke form of radio advertising than airtime advertising as it is designed to build brand awareness. S&P campaigns are usually intended to target specific audience demographics and are tailored by the agency in partnership with the commercial radio station to suit their audience. Commercial audience share, coverage and in particular coverage of major conurbations, demographic focus and the ability to tailor the advertisement to the client's core message are key ways in which the commercial radio operators compete for S&P revenue. S&P campaigns are awarded following a bid process.

³⁸ Regional and national airtime sales from Table 2 are [REDACTED].



- 7.27 S&P campaigns may be purchased on a local, regional or national basis. National S&P is usually purchased by agencies on behalf of their clients (who are usually national or multi-national advertisers). Non-radio media competes with radio for at least some S&P campaigns. When bidding for S&P campaigns Bauer can be bidding against other media, in particular TV. This is because the client is seeking to promote a brand through association with programmes and therefore may be considering creative options across different media.
- 7.28 It is only possible to provide estimates of share of national S&P based on data provided by Bauer to ARRI (Advanced Radio Revenue Indicator) which provides estimates of total agency spend on S&P. Bauer believes on this basis its share of agency S&P revenues is approximately [redacted] in 2018. It estimates Global will have a share in line with its airtime share of around [redacted]. Wireless is believed to have a share greater than its share of listening of around [redacted] [redacted]. The remaining [redacted] would be supplied by others including [redacted] and FRS (which would include the stations acquired by Bauer).
- 7.29 Similar to contracted airtime, agencies hold significant buyer power in the national S&P market which they exercise as a constraint against Bauer.
- 7.30 The media agencies have the credible threat of awarding the S&P campaign to Global, who competes vigorously with Bauer for national S&P opportunities. In addition, the very nature of national S&P campaigns, the fact that they represent a lump sum spend often of very high value and are negotiated on a campaign by campaign basis through bidding, provides agencies with an even greater degree of power. Although spend on S&P is not included in agencies' share commitments they may also secure discounts for S&P through their annual airtime contracts.
- 7.31 UKRD/FRS offers S&P but Bauer considers that its offer is very limited and does not compete with either Bauer or Global. [redacted]. Importantly since S&P depends on brand association between the advertiser and the station the absence of national station brands is a real disadvantage. It is also harder to bid for campaigns on behalf of differently owned stations where there will be greater differences in brand and format. [redacted].
- 7.32 [redacted].
- 7.33 In summary Bauer considers that the Transaction will not result in any lessening of competition in respect of national S&P as it does not compete with UKRD/FRS. UKRD/FRS [redacted] cannot offer the audience or coverage of Bauer and Global (or indeed other media).

FRS

- 7.34 FRS represents UKRD as well as the Celador, Lincs Group and Wireless local stations acquired by Bauer. It also represents a number of smaller independent local stations. The acquired stations including UKRD account for a majority of FRS's business. [redacted].

8. LOCAL ASSESSMENT

Scope of Overlaps

- 8.1 There is no overlap between the local stations of Bauer and UKRD in the coverage areas of the following stations:
- 8.1.1 Pirate FM³⁹;
 - 8.1.2 Wessex FM⁴⁰;
 - 8.1.3 Eagle FM⁴¹;
 - 8.1.4 Mix 96; and

³⁹ As noted above UKRD operates a DAB only service, Pirate 80s, with the same TSA but the audience is very small.

⁴⁰ There is a *de minimis* overlap between Wessex FM and The Breeze (Somerset) (a Celador station acquired by Bauer). The adult population of the overlap area is 8,800 which is 2% of the population of The Breeze TSA and 7% of the Wessex FM TSA. Based on RAJAR Q4 2018 figures The Breeze has no audience share in the Wessex FM TSA.

⁴¹ There is a *de minimis* overlap between Eagle FM and The Breeze (Alton) (a Celador station acquired by Bauer). The population of the overlap area is 8,800 which is 1% of the population of the Eagle TSA. Based on RAJAR Q4 2018 figures The Breeze has a 0.1% share of listening in the Eagle FM TSA. UKRD also operates a DAB only service, Eagle 80s, with the same TSA but the audience is very small and not reported on by RAJAR.



- 8.1.5 Stray FM.
- 8.2 Eagle Radio and Mix 96 cover the regions around Guildford and Aylesbury respectively. Given the proximity to London all of the London local stations can be received in these areas. Based on RAJAR Q4 2018 audience data:
- 8.2.1 Eagle Radio accounted for 23% of commercial listening (measured over 6 months) in its TSA and the Bauer London stations: Absolute Radio (London), Magic (London) and Kiss (London) together accounted for 16% of commercial listening; and
- 8.2.2 Mix 96 accounted for 33% of commercial listening (measured over 12 months) in its TSA and Absolute Radio (London), Magic (London) and Kiss (London) together accounted for 11% of commercial listening.
- 8.3 Bauer does not consider that this is a relevant overlap for the purposes of this Notice. Local advertisers wishing to target the Guildford or Aylesbury areas would not consider the London stations as a substitute for Eagle Radio or Mix 96 given the high degree of wastage. To put this in context the populations (adults 15+) of the Mix 96 TSA is 136,000 and the Eagle Radio TSA is 509,000. The population of the TSA of Absolute Radio (London) is 12.2m. Conversely, advertisers wishing to target the London area would not regard Mix 96 or Eagle Radio as substitutes for Absolute Radio (London), Kiss (London), Magic (London) or indeed any of the London stations due to the fact their coverage is limited to a small part of the outer London area, and their very limited audience shares and reach. In its TSA, Absolute Radio (London) accounted for 5% of commercial radio listening (or 4.9m hours) with a reach of 726,000; Kiss (London): 7% or 7.4m hours and a reach of 1.6m and Magic (London): 7% or 8.1m hours and a reach of 1.6m. By contrast Eagle Radio has in this TSA an audience share of 1% (770,000 hours) and reach of 117,000 and Mix 96 <1% (219,000 hours) and a reach of 36,000.⁴²
- 8.4 **Table 3** below lists those UKRD stations where some form of very limited local geographical overlap exists with an existing Bauer local radio station. Information is also provided concerning the coverage areas and broadcast formats of these stations.

Table 3: Geographic overlaps existing between Bauer and UKRD

Bauer Station			Overlapping UKRD Station		
Station	Coverage Area	Broadcast Format	Station	Coverage Area	Broadcast Format
East of England					
Kiss FM	East Anglia Region	FM / Internet	KL.FM	Kings Lynn	FM/Internet
North Norfolk Radio	North Norfolk	FM / Internet			
South Coast					
Wave 105	Solent	FM / DAB / Internet	Spirit FM	West Sussex	FM/Internet
			Spire FM	Salisbury	FM/Internet
Yorkshire					
Viking FM Greatest Hits Radio East Yorkshire	Humberside Region	FM / DAB / Internet and AM / DAB / Internet	Minster	York	FM/DAB/Internet
			Yorkshire Coast	Scarborough	FM/DAB/Internet
TFM Greatest Hits Radio Teesside	Teesside	FM / DAB / Internet and AM / DAB / Internet	Minster	York	FM/DAB/Internet

⁴² RAJAR Q4 2018 (3 months).



- 8.5 In assessing the significance of these overlaps Bauer has noted the approach taken by the CMA in relation to *Global Radio/Juice*. The CMA found that advertising revenues are linked to the ability of stations to deliver audiences and that the main factors advertisers take in account when choosing between stations are:
- 8.5.1 the geographic coverage and nature of the signal;
 - 8.5.2 the size of the audience and the relative position of the station in the area; and
 - 8.5.3 the demographics of the target audience.⁴³
- 8.6 Bauer also notes the CMA view that the extent to which a station's offerings are similar or different by reference to these factors do not vary by type of advertising (contracted, non-contracted or S&P).⁴⁴
- 8.7 The information set out below demonstrates that in each affected local area the overlaps are very limited and there is no credible basis to find that the Transaction is likely to result in a substantial lessening of competition on any local market. In particular they are not regarded as substitutes by local advertisers as:
- 8.7.1 The overlaps are limited and there are significant differences in geographic coverage and in some areas population size which means that advertisers would face considerable wastage if they used one station to target the area covered by the other – the Bauer stations tend to have significantly broader regional coverage.
 - 8.7.2 There are differences in their formats so they attract audience with different demographics; and
 - 8.7.3 Reflecting the limited overlaps and differences in coverage there are material differences in audience size and reach.
- 8.8 For these reasons and as set out the in the answer to question 30 of the First S.109 Response it is very difficult to estimate meaningful shares of local advertising. Bauer has provided data [redacted] which shows the extent of overlaps by population between the Bauer and UKRD stations based on RAJAR data and the identity of local advertisers on the Bauer, UKRD and Global stations using this data which is obtained via NMR (this data is reliable as regards the identity of local advertisers but not the revenue that can be attributed to them). [redacted].

East of England

Geographical Coverage

- 8.9 Bauer's Kiss FM (East) is a contemporary and classic dance music station primarily for under-30s, with identifiable specialist music featuring for at least 36 hours per week. It covers the East Anglia region.
- 8.10 North Norfolk Radio (which Bauer recently acquired from Celador) is a community based service providing news, information and a music mix of contemporary and classic hits for the North Norfolk area. The station comprises a single local FM radio licence: North Norfolk. North Norfolk Radio caters overwhelmingly to over 35s (comprising 94% of its audience). This is in contrast to Kiss FM (East) which attracts a predominantly younger audience (66% are adults aged 15-34).
- 8.11 UKRD's KL.FM is a locally oriented station focussing on the King's Lynn area with an adult contemporary music and talk format.
- 8.12 Included at **Annex 9.1** are maps indicating the geographical coverage of the licences held by UKRD and Bauer in this region. In summary:
- 8.12.1 The southern part of the KL.FM coverage area overlaps with a small section (Wisbech and Downham Market) of the much broader regional coverage area of Kiss FM (East); and

⁴³ *Global Radio/Juice*, paragraph 40.

⁴⁴ *Global Radio/Juice*, paragraph 41.

- 8.12.2 The eastern part of the KL.FM coverage area overlaps with a section of the North Norfolk coverage area (around Fakenham).
- 8.13 To put the limited nature of the geographical overlaps in context⁴⁵:
- 8.13.1 The adult (15+) population of the Kiss FM (East) TSA is 2.18m. By contrast the population of the KL.FM TSA is approximately 188,000 (9% of the Kiss FM population). The adult population of the overlap area is approximately 148,000 (c.7% of the population of the Kiss FM TSA and 79% of the population of the KL.FM TSA); and
- 8.13.2 The adult population of the North Norfolk TSA is 93,000 and the population of the area of overlap (Fakenham) is approximately 15,000 (c.16% of the population of the North Norfolk TSA and c.8% of the population of the KL.FM TSA).
- 8.14 The difference in population size is important. An advertiser seeking to address the KL.FM area using a Bauer station could incur the significant cost of advertising to the entire Kiss audience when only 7% of that population is in the KL.FM area – there would also be high wastage as the advertisement would not be relevant to most of the audience. Using North Norfolk would not be a viable option either as the overlap with KL.FM is so limited. For the same reasons KL.FM would not be a viable means for an advertiser to reach either the Kiss or North Norfolk audience.

Audience Shares

- 8.15 The limited extent of the geographical overlaps between Bauer and UKRD is apparent from the audience shares in the relevant TSAs set out in **Table 4** below.

Table 4: Commercial Audience Shares (%) in TSAs of Relevant Stations (RAJAR Q4 2018)⁴⁶

Station	KL.FM TSA	Kiss FM (East) TSA	North Norfolk (TSA)
KL.FM	39	4*	4*
UKRD Total	39	4*	4
Kiss FM (East)	6*	13	3*
North Norfolk	2*	-	18
Radio Norwich	-	1*	1*
The Beach	-	3*	-
Town 102 ⁴⁷	-	1*	-
Bauer Total	8*	18	22
Bauer and UKRD Combined	47	22	26
Heart Cambridgeshire	3*	7*	-
Heart East Anglia	-	9*	8
Heart Essex	-	2*	-
Smooth Cambridgeshire	2*	1*	-
Smooth East Anglia	-	3*	3
Global	5	22	11

**Only covers a small part of the relevant broadcast area*

- 8.16 The Bauer stations have a very limited presence in the KL.FM TSA. KL.FM has a reach of 71,000 (38%) and 790,000 listening hours in its TSA. By contrast:
- 8.16.1 Kiss FM has a reach of 22,000 (12%) and 130,000 listening hours; and

⁴⁵ Population data for overlapping areas is sourced from RAJAR and set out in the tables at **Annex 8**.

⁴⁶ Kiss (over 6 months) and KL.FM and North Norfolk (12 months).

⁴⁷ DAB only.



8.16.2 North Norfolk has a reach of 4,000 (2%) and 31,000 listening hours.

8.17 Conversely in the Bauer TSAs:

8.17.1 Kiss FM in its TSA has a reach of 374,000 (17%) and 2.25m listening hours compared to KL.FM with a reach of 60,000 (3%) and 665,000 listening hours; and

8.17.2 North Norfolk in its TSA has a reach of 17,000 (18%) and 122,000 listening hours compared to KL.FM which has a reach of 4,000 (4%) and 30,000 listening hours.

Demographics

8.18 There are also significant differences in audience demographics reflecting the different station formats. Attached at **Annex 10.1** is the demographic data for the KL.FM TSA. Kiss FM (East) is a contemporary and classic dance music station primarily for under-30s. KL.FM is a locally oriented, broad music and information station for the Kings Lynn area.

8.19 In the KL.FM TSA, both stations have predominately female audiences (KL.FM: 59% women; Kiss FM (East): 55% women). KL.FM targets a significantly older audience: 70% of its audience is over 45, with 31% over 65. By contrast for Kiss FM (East): 55% of the audience is under 45, only 2% of audience is over 65.

8.20 North Norfolk also has a younger audience: 59% of audience is under 45 (39% of audience is aged 35-44) whereas for KL.FM same group accounts for only 14% of audience). Although as noted above the overlap area is very small.

Advertisers

8.21 Consistent with differences in geographical coverage, audience and demographics the advertiser base of Kiss, North Norfolk Radio and KL.FM are quite different. [X].

Summary

8.22 The Bauer and UKRD stations could not be considered substitutes (and certainly not close competitors) by local advertisers:

8.22.1 The geographical overlaps are limited such that any advertiser would have to accept significant wastage;

8.22.2 This is reflected in the audience share data which shows that the Bauer stations have a very limited presence in the KL.FM TSA and vice versa;

8.22.3 There are significant differences in the age of their respective target audience; and

8.22.4 There are very few common advertisers.

8.23 As a result the Transaction does not lead to a substantial lessening of competition.

South Coast

Geographic coverage

8.24 Bauer's Wave 105 is a locally oriented music and information station for over 30s in the Solent and adjacent area, playing a spread of adult contemporary and soft adult contemporary hits, and treating speech as an important ingredient. Wave 105 comprises a single regional FM licence which covers the wider Solent area.

8.25 UKRD's Spire FM is a contemporary music station focussed on the Salisbury area. Spirit FM is based in Chichester and is a contemporary music station focussed on the West Sussex area.

8.26 Included at **Annex 9.2** are maps showing the coverage areas of the Bauer and UKRD stations in this area. In summary, there are very small overlaps:

8.26.1 The southern part of UKRD's Spire FM area overlaps with a small northern section of Bauer's Wave 105 area; and

8.26.2 The western half of UKRD's Spirit FM area overlaps with a small eastern section the Wave 105 area.

- 8.27 To put the overlaps in context based on RAJAR Q4 2018 data the adult (15+) population of the respective TSAs is: Wave 105, 1.856m.; Spire FM, 121,000; and Spirit FM, 194,000. The Wave population is 15 times the size of Spire and nearly 10 times that of Spirit. As a result of wastage it would be uneconomic for advertisers to use Wave to reach audiences in the Spire and Spirit TSAs. Conversely Spire and Spirit have virtually no reach in the Wave TSA (see below) so would be ineffective to reach the Wave audience.
- 8.28 The extent of the overlaps are very limited (see **Annex 8**):
- 8.28.1 The overlap in population between the Spire FM and Wave 105 TSA is 28,000 or 1% of the population in the Wave 105 TSA and 23% of the population in the Spire FM TSA; and
- 8.28.2 The overlap in population between the Spirit FM and Wave 105 TSA is approximately 130,000 or 7% of the total population of Wave 105 and 67% of the Spirit FM TSA.⁴⁸

Audience shares

- 8.29 The limited geographical overlap is reflected in the audience shares in their respective TSAs set out in **Table 5** below.

Table 5: Commercial Audience Shares (%) in TSAs of Relevant Stations (RAJAR Q4 2018)⁴⁹

Station	Spire FM TSA	Spirit FM TSA	Wave 105 TSA
Spire FM	25	-	<1*
Spirit FM	-	23	1*
UKRD Total	25	23	1
Wave 105	6*	7	23
Fire FM	-	-	2*
Bauer	6	7	25
Bauer and UKRD combined	31	30	26
Heart Sussex	-	6*	-
Heart Solent	-	5*	14*
Smooth (Sussex)	-	6*	-
Smooth (Solent)	-	1*	3*
Capital (South Coast)	-	-	7*
Global	-	18*	24
Sam FM	1*	1*	6*
The Breeze (Solent)	-	-	2*

* Only covers a small part of the relevant broadcast area

- 8.30 Much of the listening in the Spire and Spirit TSAs is accounted for by out of area stations or stations each with only a very small coverage of the TSA.
- 8.31 Wave 105 has only a minor presence in TSAs of UKRD Stations.
- 8.31.1 In relation to the Spire TSA, Wave has a reach of 5,000 (4%) and 57,000 listening hours (Spire has a reach of 38,000 (32%) and 236,000 listening hours);
- 8.31.2 In relation to the Spirit TSA, Wave has a reach of 12,000 (6%) and 95,000 listening hours (Spirit has a reach of 43,000 (22%)) and 324,000 listening hours.

⁴⁸ There is also a very small overlap with The Breeze (East Hampshire) reflecting 6% of The Breeze population and 31% of the Spirit FM population.

⁴⁹ Wave measured over 6 months; Spire and Spirit measured over 12 months due to small sample size.



- 8.32 Conversely, Spire and Spirit are insignificant in the Wave TSA with a reach of <1% and 2% respectively (24,000 and 257,000 listening hours respectively) (Wave has a reach of 19% and 4m hours).

Demographics

- 8.33 Wave 105 is a locally oriented music and information station for over 30s in the Solent and adjacent area, playing a spread of adult contemporary and soft adult contemporary hits, and treating speech as an important ingredient. Spire FM has a contemporary music format and Spire FM has a hits radio format. Both stations are locally focussed.

- 8.34 There are differences in audience demographics of their respective target audiences:

8.34.1 **Annex 10.2** shows audience demographics in the Spire TSA. Spire FM skews towards female audience (57% women). By contrast Wave 105 skews towards male audience (58% men). Spire FM targets older audience, 67% aged over 45. Wave 105 focusses narrowly on 35-44 cohort, which accounts for almost half of its audience (49%).

8.34.2 **Annex 10.3** shows the audience demographics in the Spirit TSA. There is a similar gender split to Wave 105 (Spirit: 55% male; Wave: 60% male), but Spirit FM appeals to a younger audience (23% of the audience is under 35, by contrast for Wave only 5% audience is under 35).

Advertisers

- 8.35 **Annex 8** shows the local advertisers of each Wave 105, Spire FM and Spirit FM. Consistent with the differences in geographical coverage [38].

Summary

- 8.36 It is clear from the very limited geographical overlap and importantly the different scale of the respective coverage areas that Wave 105 is not a substitute for local advertisers with Spire and Spirit in any of the respective TSAs:

8.36.1 In the Wave 105 TSA, Spire and Spirit are almost non-existent and Wave's competitors are primarily Global (Heart Solent); and

8.36.2 In the Spire and Spirit TSA's Wave has a small audience share and reach. Importantly, given the much greater size of the Wave TSA (its population is nearly six times the size of Spirit and Spire combined) advertisers wishing to use Wave 105 to reach audiences in the Spirit and Spire TSAs would need to incur significant wastage and in any event would not be able to address the whole of those TSAs as Wave only partially overlaps with them.

- 8.37 Given the limited overlaps the Transaction will not result in a substantial lessening of competition.

Yorkshire

Geographic Coverage

- 8.38 Included at **Annex 9.3** are maps indicating the geographical coverage of the licences held by both Bauer and UKRD in this region. In summary, there are very small overlaps:

8.38.1 Yorkshire Coast Radio overlaps in the Bridlington area with Bauer's Viking FM and Greatest Hits Radio (Humberside), an AM service; and

8.38.2 A small northern section of the Minster FM coverage area overlaps in the Northallerton area with Bauer's TFM and Greatest Hits Radio (Teesside), again AM, and a small section of the southern part of the Minster FM coverage area overlaps in the Selby area with Viking FM and Greatest Hits Radio (Humberside).

- 8.39 These overlaps are very limited. To put them in context (see **Annex 8**);

8.39.1 The population of the Bridlington area (the Yorkshire Coast/Viking overlap) (adults 15+) is approximately 30,000. By contrast the 15+ population in the Yorkshire Coast TSA is 112,000 and in the Viking FM TSA it is 912,000 (nearly nine times



bigger than Yorkshire Coast). The overlap area is therefore 27% of the Yorkshire Coast TSA and 3% of Viking FM TSA populations.

8.39.2 The adult population of the Selby area (the Minster/Viking FM overlap) is approximately 50,000 compared to the 15+ population of the Minster TSA of 361,000 (and the 912,000 in the Viking FM TSA). The overlap area is therefore 14% of the Minster FM TSA and 5% of Viking FM TSA populations.

8.39.3 The 15+ population of Northallerton area (the Minster/TFM overlap) is approximately 22,000 compared to Minster FM TSA of 361,000 and the TFM TSA of 822,000. The overlap area is therefore 6% of the Minster FM TSA and 3% TFM TSA populations.

Audience shares

8.40 Consistent with these limited geographic overlaps the Bauer and UKRD stations have very limited audience shares in the other's TSAs as shown in **Table 6** below.

Table 6: Commercial Audience Shares (%) in TSAs of Relevant Stations (RAJAR Q4 2018)⁵⁰

Station	Yorkshire Coast TSA	Coast	Minster FM TSA	Viking FM TSA	TFM TSA
Yorkshire Coast FM	49	-	-	1*	-
Minster FM	-	-	26	1*	<1*
UKRD Total	49		26	1-2	<1*
Viking FM	2*	-	2*	8	-
Greatest Hits Radio (Humberside)	1*	-	<1*	5	-
TFM	-	-	<1*	-	8
Greatest Hits Radio (Teesside)	-	-	<1*	-	6
Lincs FM incl. Compass	-	-	-	11	-
Hallam FM	-	-	-	1*	-
Trax FM	-	-	-	1*	-
Bauer	3*		3*	26	14
Bauer and UKRD combined	52		29	28	14-15
Capital Yorkshire	8	-	7*	11	-
Heart North East	-	-	2*	-	12
Smooth North East	-	-	1*	-	29
Capital North East	-	-	1*	-	12
Heart Yorkshire	-	-	-	1*	-
Global	8		11*	12	53
KCFM	-	-	-	7*	-

* Only covers a small part of the relevant broadcast areas

8.41 Based on this data:

8.41.1 In the Yorkshire Coast TSA – Yorkshire Coast has a share of commercial listening of 49% whereas Viking FM has 2% share and Greatest Hits Radio a 1% share. Conversely Yorkshire Coast has a 1% share of listening in the Viking FM TSA;

⁵⁰ Viking measured over 6 months; Yorkshire Coast and Minster measured over 12 months due to small sample size.



- 8.41.2 In aggregate the Bauer stations account for 37,000 listening hours compared to 584,000 for Yorkshire Coast in the Yorkshire Coast TSA and Yorkshire Coast has a reach of 57,000 (ten times that of the Bauer stations); and
- 8.41.3 In the Minster FM TSA – Minster FM has a 26% share of commercial listening whereas Viking FM and Greatest Hits Radio together have a 2% share and TFM and Greatest Hits Radio (Teesside) have collectively less than 1%. Conversely Minster FM has a 1% share in the Viking FM TSA and less than 1% in the TFM TSA.
- 8.41.4 In aggregate the Bauer stations account for 56,000 hours compared to 600,000 for Minster FM in the Minster TSA.

Demographics

- 8.42 For completeness attached at **Annexes 10.4 and 10.5** are charts showing the target audience demographics for Minster FM and Yorkshire Coast based on listening hours (RAJAR Q4 2018). These show that UKRD stations have different target audiences with a greater proportion of female listeners as compared to Viking FM, TFM and Greatest Hits Radio which are targeted at predominantly male audience.

Advertisers

- 8.43 [§]. However, given the limited overlap it is likely the advertisers view the stations as complements and are seeking regional coverage.

Bridlington

- 8.44 For completeness it should be noted that Yorkshire Coast has a separate transmitter covering the Bridlington area so it is possible for local advertisers to target this area only without incurring the wastage of advertising to the wider Yorkshire Coast TSA. However, given the small size of this area compared to the Viking FM TSA (3% population overlap) advertisers would not view Viking or Greatest Hits Radio as an alternative.

Summary

- 8.45 The overlaps between Bauer and UKRD in this area are so limited there is no possibility that the Transaction will have the effect of substantially lessening competition.

9. BARRIERS TO ENTRY AND EXPANSION

- 9.1 Radio is broadcast in the UK by digital and analogue means. Digital radio is currently broadcast over Digital Audio Broadcasting ("**DAB**"), the internet and Digital Terrestrial Television ("**DTT**"). Analogue stations can be broadcast on either AM or FM frequencies. DAB enables multiple audio signals to be transmitted on the same frequency through a process known as multiplexing. The BBC Radio and commercial radio operators broadcast via individual radio stations operating in local or regional areas or nationally. Not for profit local community radio stations also broadcast in local areas.
- 9.2 The provision of analogue, DAB or DTT broadcasting by commercial radio operators is regulated by Ofcom. Ofcom issues broadcasting licences setting out the conditions for the broadcast of radio services by the licence holder. A commercial radio analogue licence allows the licence holder to broadcast to a specific licence area in accordance with a specific format for a set period of time. The geographic area covered by the licence is protected from radio interference. There are currently 51 local commercial AM licences and 235 local commercial FM licences in the UK and 2 UK wide national AM licences and 1 national FM licence.⁵¹ These licences are issued for 12 years and may be renewed. The renewal is effectively automatic if the licensee simulcasts a service on the relevant local DAB multiplex or commits to do so. Ofcom has indicated it will not issue new analogue licences. There are two tiers of DAB licence: parties providing the multiplex service require a multiplex licence from Ofcom which be granted on a national or regional basis. These licences are granted

⁵¹ Ofcom Media Nations Report 2018, at figure 46, https://www.ofcom.org.uk/data/assets/pdf_file/0014/116006/media-nations-2018-uk.pdf.



for a 12 year term and which may be renewed for a further 12 years. To provide a digital radio service the operator must obtain a digital sound programme ("**DSP**") licence and apply to the multiplex operator for access to the multiplex platform. DSP licences do not have a fixed duration and cover all service provided on a particular multiplex. As at March 2018 there were 2 national and 55 regional multiplexes and 34 national and 408 regional DAB services.⁵² There are no licence requirements for internet radio.

- 9.3 The primary factor for entry into the UK commercial radio market is obtaining a broadcasting licence. In relation to the analogue radio spectrum (AM/FM) licences can only be obtained by acquisition or upon the expiry of an existing licence through a competitive process conducted by Ofcom. There are also costs associated with setting up a station infrastructure and developing a brand/audience that will be attractive to advertisers.
- 9.4 There is greater scope for entry via digital radio. A limited amount of capacity is currently available on local DAB multiplexes in most areas and multiplex operators have FRND access obligations to anyone that wishes to obtain DAB access. In Q4 2018 more than half of radio listening was via digital platforms (comprising DAB 38%, internet 9% and digital terrestrial television 5%).⁵³ At the same time DAB coverage now extends to 90% of the UK and more than two thirds of households have a DAB set. As a result entry and expansion via digital platforms has become increasingly attractive. As noted above Bauer launched a classical music station, Scala, on a national DAB only basis in March 2019.
- 9.5 Existing licence holders are able to expand their share of commercial radio advertising through investing in their brand, content and sales teams and through the acquisition of new licences.
- 9.6 The Transaction will not increase any of the existing barriers to entry or expansion which currently exist in the UK commercial radio market.

10. COORDINATED EFFECTS

- 10.1 The CMA has already found the market for commercial radio advertising does not have the characteristics which would make it amenable to coordinated effects. In particular, prices are individually and frequently negotiated and there is no transparency as to prices paid; prices for contracted advertising are set by reference to complex matrices; it would be practically difficult to coordinate on pricing as this would need to take account of the two-sided nature of the market, which would be difficult.⁵⁴
- 10.2 The Transaction will not change these characteristics and as a result will not give rise to coordinated effects.

11. VERTICAL EFFECTS

- 11.1 As a result of the Transaction Bauer will acquire UKRD's interest in its multiplexes. Bauer obtains DAB access services from one of these (South West Digital). However, the Transaction does not give Bauer either the ability or incentive to discriminate regarding access to multiplexes. As the CMA has previously recognised the terms of the multiplex licence issued by Ofcom prevents undue discrimination against digital services connecting to the multiplex.⁵⁵ There is no reasonable prospect of foreclosure of access to DAB multiplexes.
- 11.2 The Transaction does not therefore give rise to any vertical effects.

12. CONGLOMERATE EFFECTS

- 12.1 Bauer does not consider that there is any credible basis for concluding that the Transaction

⁵² Ofcom Media Nations Report 2018, at figure 47, https://www.ofcom.org.uk/data/assets/pdf_file/0014/116006/media-nations-2018-uk.pdf.

⁵³ Ofcom Communications Market Report 2018 at 3.1, https://www.ofcom.org.uk/data/assets/pdf_file/0022/117256/CMR-2018-narrative-report.pdf.

⁵⁴ *Bauer/Absolute Radio*, paragraphs 105-106.

⁵⁵ *Bauer/Absolute Radio*, paragraphs 102-104.



may give rise to conglomerate effects.⁵⁶

13. THIRD PARTY CONTACT DETAILS

13.1 Responsive contact information has been provided by Bauer in the answer to question 34 of the First S.109 Response. This included contact details for:

13.1.1 customers in the Kiss FM (East), North Norfolk, Wave and Viking FM/Greatest Hits TSAs and its ten largest media agency customers

13.1.2 suppliers;

13.1.3 competitors; and

13.1.4 trade associations/government departments.

13.2 Contact details for UKRD's agency and local advertiser customers are provided at **Annex 11.1**.

13.3 Contact details for UKRD's suppliers are provided at **Annex 11.2**.

13.4 UKRD are a member of The Radio Academy and contact details are as follows:

[~~✕~~]

⁵⁶ Bauer/Absolute Radio, paragraphs 105-106.



[✂]



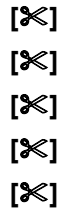
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