

COMPLETED ACQUISITION BY BAUER MEDIA GROUP OF CERTAIN BUSINESSES OF CELADOR ENTERTAINMENT LIMITED, LINC'S FM GROUP LIMITED AND WIRELESS GROUP LIMITED, AS WELL AS THE ENTIRE BUSINESS OF UKRD GROUP LIMITED

Issues statement addendum

22 October 2019

1. On 4 September 2019, the Competition and Markets Authority (CMA) published its issues statement (the Issues Statement) in respect of the phase 2 investigation into the following completed acquisitions by Heinrich Bauer Verlag KG (trading as Bauer Media Group (Bauer)): the Celador Acquisition, the Linc's Acquisition, the Wireless Acquisition and the UKRD Acquisition (together, 'the Acquisitions').¹
2. The Issues Statement set out the main issues we are likely to consider in reaching our decision. The Issues Statement noted that it was setting out the issues we envisaged at that time being relevant to our inquiry. Paragraph 36 of the Issues Statement stated that 'we have set out below the theories of harm that we intend to investigate. However, we may revise our theories of harm as our inquiry progresses. Also, the identification of a theory of harm does not preclude a substantial lessening of competition (SLC) being identified on another basis following further work by us, or the receipt of additional evidence'.
3. The CMA has identified an additional theory of harm as described below. We welcome views and evidence relating to this new theory of harm.

Horizontal unilateral effects in the representation of national advertising sales to radio stations

4. This theory of harm relates to the possibility that the Acquisitions could result in an SLC in the representation of national advertising sales services to independent radio stations, due to (1) Bauer acquiring a 50% share in First Radio Sales Limited (FRS) and therefore joint control, and (2) the possibility of the Acquisitions leading to FRS being weakened or becoming economically unviable due to the loss of a large

¹ See [Issues Statement](#). Unless otherwise defined herein, capitalised terms have the meanings ascribed to them in the Issues Statement.

proportion of its customer base, as the Acquired Stations would then be represented by Bauer. Bauer has stated that 'it would not be efficient to continue to operate FRS as a separate sales house in its current form. Bauer intends to directly represent those third-party stations currently represented by FRS and ... has every incentive to do so'.²

5. Radio stations generally do not negotiate directly with national advertisers or large media buying agencies, as these advertisers find it costly and inefficient to negotiate such advertising directly. Instead, they deal with the in-house sales functions of radio groups (eg Global and Bauer), or with a sales house which collectively represents independent radio stations without an in-house sales function.³ At the moment, the only sales house serving independent radio stations in this way (ie other than as part of a brand and licencing agreement) is FRS. Independent radio stations contract with FRS to represent them in exchange for a commission retained by the sales house.
6. We are considering whether as a result of Bauer gaining joint control of FRS, an SLC could result in the representation of national advertising for independent radio stations. We are also considering whether the effect of the Acquisitions, through removing a large part of its customer base, might be expected to weaken FRS or lead to its closure, and if so whether this also could lead to an SLC.
7. Our investigations so far have suggested that stations currently represented by FRS would expect to have to seek national advertising sales representation from the large radio groups if FRS were no longer available, and no alternative representation options were identified.
8. While Bauer does not currently represent any independent radio stations, it has done so in the past. Global represents stations operated by Communicorp and has agreed with Quidem to represent its stations.⁴ Global's representation includes brand and licencing agreements, such that these stations carry Global's programming (excepting local programming obligations) and they are branded with one of Global's brands (eg Capital or Heart).
9. However, in most cases independent radio stations told us that representation by Bauer or Global was unattractive, or that they felt Bauer and Global were unlikely to be willing to represent the independents. Nonetheless, if FRS was weakened or closed, Bauer and Global would be the best remaining options for independent stations seeking representation.

² Bauer, [Response to the phase 1 decision](#), paragraph 8.7.

³ One exception is Wireless, which represents its own national talkRadio and Virgin stations.

⁴ Global also represents IRN's advertising – IRN provides news services to radio stations rather than having its own stations.

10. We will first consider the nature of competition in the provision of representation to independent radio stations before addressing whether it will be lessened. At the moment, these stations largely rely on FRS, but there is actual or potential competition with FRS from at least two sources:
 - (a) First, independent radio stations could potentially create or sponsor a new rival advertising sales house to compete against FRS. However, it appears unlikely that with the loss in critical mass of independent radio stations following the Acquisitions, a new advertising sales house would be viable.
 - (b) Second, the independent stations could seek representation from Bauer or Global instead of from FRS (and as indicated in paragraph 8 there are some historical and current examples of such representation). The effect of the Acquisitions is to eliminate FRS as a competitor, leaving only Bauer and Global as potential suppliers.
11. Accordingly, two competitive restraints within the market (ie the option of a new party representing the remaining FRS stations, and competition from FRS) might be removed as a result of the Acquisitions.
12. The incentives on Bauer to represent independent radio stations are also likely to differ from those which applied to FRS prior to the Acquisitions, and so may reduce the nature and extent of competition. Different considerations which could apply to Bauer include:
 - (a) Whether in practice Bauer has an ability to discriminate between stations it represents (ie to offer them worse terms and to favour placing advertising with its own stations);
 - (b) Should these stations be less able to compete for national advertising, that advertising might partly divert to Bauer; and
 - (c) In areas of local geographic overlap with its existing radio stations, Bauer might be able to benefit from the diversion of local advertising from the independent radio stations to itself.
13. Global's incentives might also reflect similar considerations and so impact on whether and how it competes to represent these stations.
14. The issue of the incentives that apply to Bauer in representing independent radio stations, and the consequences for independent radio stations of a loss of national advertising revenue, are already being explored under our existing third theory of harm (vertical effects in the supply of local radio advertising as a result of the loss of FRS as a national advertising sales house). However, in this new theory of harm we are considering whether there is an SLC with effects in the representation of national

advertising sales services to radio stations and it does not rest on foreclosure of independent radio stations.

Responses to the addendum to the issues statement

15. Any party wishing to respond to this addendum should do so in writing, by no later than **5pm on 29 October 2019**. Please email BauerMedia-inquiries@cma.gov.uk or write to:

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