

BAUER/4 LOCAL RADIO ACQUISITIONS – PHASE 2 MERGER INQUIRY

Note of Call with Dee Radio Group (DRG) on 8 January 2020

Views on possible structural remedies

1. It is unlikely that a buyer could be found for all of the assets Bauer acquired. The acquired assets are disparate (ie there is little scope for creating synergies between them). It would not be a simple business to manage. Chris Hurst ran some of the stations previously owned by Wireless. This collection of assets was already disparate. A structural remedy is DRG's least preferred option. It could take DRG backwards.

View on current performance of FRS

2. Over the past year FRS has performed well for DRG's Silk brand, though less well for its Dee brand. This is possibly partly due to a reduction in audience for this brand. FRS has performed better than projected for DRG's Love 80s Liverpool brand. Overall, FRS' performance for DRG has been decent. FRS is not particularly effective at selling S&P inventory, though that is as much the responsibility of the stations FRS represents as of FRS itself.

Views on representation by Bauer

3. When Chris Hurst ran the stations which used to be owned by Wireless, he approached Global with respect to possible future representation. Global was not interested in this proposition at the time. Chris Hurst has not had such a conversation with Bauer. Since the start of CMA's investigation, Chris Hurst has had conversations with Bauer concerning representation.
4. Subject to there being certain safeguards, DRG would be content with representation by Bauer. One of these safeguards is the guarantee of a deal at least as favourable to DRG as that which DRG currently has with FRS. The guarantee of these terms should be retained for a significant period of time. This protection should be extended to new entrants. There should additionally be rate protection and revenue guarantees. Chris Hurst also spoke to Bauer about S&P representation. He raised with Bauer the difficulties of selling S&P inventory through an intermediary.

5. While Chris Hurst was employed by Wireless, FRS held meetings with stakeholders, including its customers, to enable them to 'audit into' deals that FRS was negotiating. This gave customers considerable visibility over FRS' activities. Over time, FRS' customers lost appetite for these meetings. Part of the reason for this is that they trusted FRS to try and get the best deal for them that it could. A similar mechanism for customers to audit and interrogate Bauer over its representation could be incorporated within a remedy.
6. DRG would welcome a return of the regular stakeholder meetings that FRS used to hold. Such meetings would also be welcome at Bauer, were it to take on representation. This is an opportunity for stakeholders to audit the activities of their representative, and also to discuss how to increase national sales and negotiate better prices. Chris Hurst believes that stakeholders would willingly attend these meetings, especially if they were held every other month or on a quarterly basis.
7. The key challenge with selling S&P inventory for a third party is that you need to engage regularly with the relevant customer to ascertain availability. As with airtime sales, the rate is much better with local S&P sales. DRG's expectations of what FRS can achieve with these in the national market are fairly low. 95% of the S&Ps which DRG sells are sold to the local market.
8. A minimum revenue guarantee should be proportional to the amount of inventory sold. Tying the two would prevent Bauer from selling lots of DRG inventory on the cheap to meet DRG's minimum revenue guarantee. Bauer believes that it could out-deliver FRS (ie secure better rates than FRS) because of its larger network.
9. DRG agrees that Bauer would probably be able to secure for DRG better rates. A behavioural remedy with robust safeguards would probably help DRG grow. This is DRG's preferred option.

Views on new entry into the market

10. The new local DAB multiplexes Ofcom is rolling out will attract new entrants. However, these are unlikely to attract the listenership required to register on RAJAR. As a result, they will likely not enter the national market to any significant degree. Stations that are not on RAJAR are unlikely to attract media buying agencies, especially the ones based in London.

Views on Wolverhampton overlap and associated remedy

11. The local DAB licences which Ofcom is rolling out will render any lessening of competition temporary. Wolverhampton is one of the areas that will gain a licence which can carry up to 20 services. While these stations would be small, Signal 107 (Wolverhampton) isn't very big either.

12. Chris Hurst doesn't recall the Wolverhampton licence ever making a profit. It has always been a marginal business at best, and it is not clear that tagging the remaining Signal 107 licences to it improves this situation very much.