

**REFERENCE RELATING TO THE COMPLETED ACQUISITION  
BY GLOBAL RADIO HOLDINGS LIMITED OF GMG RADIO HOLDINGS LIMITED**

**Summary of provisional findings**

**Published: 13 February 2013**

1. On 11 October 2012, the Office of Fair Trading (OFT) referred the completed acquisition by Global Radio Holdings Limited (Global) of GMG Radio Holdings Limited (GMG Radio) to the Competition Commission (CC) for investigation and report. The reference was made under section 22(1) of the Enterprise Act 2002 (the Act). We are required to publish our final report by 27 March 2013.
2. The acquisition was completed on 24 June 2012. After the acquisition, GMG Radio was renamed Real and Smooth Limited (RSL).
3. Global is a privately-owned company with a number of commercial radio interests including one national station, Classic FM; and local stations broadcasting under the brands Heart, Capital, Choice, LBC, Xfm and Gold. Global is the largest commercial radio operator in the UK.
4. RSL was part of Guardian Media Group plc (GMG plc). It is the third largest UK commercial radio operator and has regional and local stations broadcasting under the brands Real, Real XS and Smooth.
5. We provisionally concluded that the share of supply test had been met and a relevant merger situation had been created.
6. We considered the situation that would have prevailed absent the merger (the counterfactual). We provisionally concluded that RSL would have continued to have

operated independently of Global, either under the continued ownership of GMG plc or under the ownership of an alternative buyer who would not have raised competition concerns. We considered these alternatives to be broadly equivalent in terms of their likely competitive impact. In our provisional view, RSL's pre-merger local and national market shares formed a reasonable basis against which to assess the competitive effects of the merger.

7. We also considered, as part of our analysis of the counterfactual, the pre-existing National Sales Agency Agreement under which Global sold, on behalf of RSL, airtime on RSL stations (the Agreement). Under the Agreement, Global received a commission for selling advertising on RSL stations to advertisers purchasing through media buying agencies based in London and the South-East. We provisionally concluded that we should take into account in our competitive assessment the possibility that this Agreement would not have been retained in the medium term.
8. We provisionally concluded that the appropriate market definition was a UK radio market. We noted that radio was a two-sided market with competition for listeners and advertisers. On the listener side, the market includes commercial radio stations and BBC radio stations. We did not consider that other forms of audio listening should be included in the market. In our provisional view, the interests of listeners were largely protected from the effect of a merger between commercial radio stations by competition from the BBC and the regulatory framework governing commercial radio. Our assessment of the merger therefore focused on the effects on advertisers.
9. We did not further subdivide the market by reference to the way radio advertising is bought, nor by geography. We took relevant differences into account in our competitive assessment.

10. We assessed the level of pre-merger competition. In doing so, we considered the way prices for radio advertising were set; the constraint from other types of media advertising; and competition between commercial radio stations for advertising at a national, and at a regional and local level.
11. We noted that prices for radio advertising were not published and were the outcome of negotiations between the advertiser or agency and the radio station or group. We provisionally concluded that prices were likely to be affected by the quality of the alternatives available and the relative bargaining strength of the advertiser or agency and the radio station or group.
12. We considered the extent of the constraint on radio advertising from other media. We noted that advertisers use multiple types of media to meet their advertising needs and that other media may be bought as a complement to radio or as a substitute for it. We found that there were advertising campaigns for which radio advertisers could not easily substitute other media. We found that the price of radio advertising was affected by the number and quality of radio alternatives available to advertisers; that is, the price of radio advertising was not affected solely by the availability of other media.
13. We considered the factors advertisers took into account when choosing radio stations. We found that these included their geographic coverage; their relative strength in terms of audience; and the demographic characteristics of the audience.
14. We considered the effects of the merger on areas where Global and RSL radio stations overlapped. In doing so, we assessed the impact on two segments of the market: advertisers buying airtime on a campaign-by-campaign basis from local and regional stations or through small, regional agencies (non-contracted advertising);

and airtime sold primarily to national advertisers under contracts between media buying agencies and radio stations or groups (contracted advertising). In both segments, we also considered the effect of the merger on advertisers sponsoring radio stations or programmes, or buying promotions for broadcast on the radio (sponsorship and promotion (S&P)).

15. We found that the reduction of radio alternatives where Global and RSL stations overlapped would be likely to have significant effects on advertisers in seven areas: the East Midlands; Cardiff; North Wales; Greater Manchester; the North-East; South and West Yorkshire; and Central Scotland. We provisionally concluded that the loss of competition in these areas would affect non-contracted advertising and related S&P, and that these advertisers would face higher prices as a result of the merger. We estimated non-contracted airtime revenue in these seven areas to be around £50 million. We provisionally concluded that significant effects on competition were not likely to arise in London and the West Midlands.
16. We provisionally concluded that any loss of competition as a result of the merger for advertisers buying airtime through contracted agencies and national S&P was likely to be relatively small. We did not consider this loss of competition to be substantial.
17. We noted the ability of Global and RSL, post-merger, to give common brands to their networks of stations thus creating additional, or expanding existing, quasi-national brands. We provisionally concluded that this would not have a significant adverse effect on competition.
18. The merger brought together two companies previously represented separately on a number of industry bodies and jointly participating in a number of industry-wide selling arrangements. We assessed the potential effect on competition of any

changes to these bodies and arrangements resulting from the merger. Our provisional view was that the merger would not bring about a material change in the ability and incentives of the enlarged Global group to exert influence or control over any of the bodies or industry-wide selling arrangements concerned in a manner that would give rise to a substantial lessening of competition.

19. We reached the provisional conclusion that the evidence did not indicate that the merger would result in rivalry-enhancing efficiencies which were timely, likely and sufficient to prevent a substantial lessening of competition. We also provisionally concluded that entry or expansion into the radio market on a scale sufficient to constrain the merged entity within the time frame in our Guidelines was not likely.
20. We provisionally concluded that, as a result of the merger between the parties, there was, or was likely to be, a substantial lessening of competition in the radio market based on the loss of rivalry in the East Midlands; Cardiff; North Wales; Greater Manchester; the North-East; South and West Yorkshire; and Central Scotland.
21. The provisional findings will be published in full on Friday 15 February.