GLOBAL RADIO HOLDINGS LIMITED/GMG RADIO HOLDINGS LIMITED COMPLETED MERGER INQUIRY

Summary of hearing with Bauer Radio on 22 November 2012

Background

1. Bauer Media Group (Bauer) told us that Bauer Radio was the second largest commercial radio network in the UK, with 72 stations spanning local, regional and national coverage. Bauer focused on magazines, radio and ancillary digital services and employed 1,700 people.

2. Bauer's major radio brands included Kiss and Magic in London but it also held stations across the whole of the UK. Radio turnover in 2011 was about £[✂].

3. Commercial radio had enjoyed a robust and healthy history. Listening and audience reach had been strong in the face of competition from the BBC. Most of the radio industry was in private ownership and operators had taken a medium- to long-term view on investment in content which meant that audience share was robust.

Contracted advertising (national)

4. Pre-merger, national radio advertisers could still buy around Global when conducting a national radio advertising campaign. Bauer conducted a 'buy-around' analysis of 20 national advertising campaigns to understand the likelihood of advertisers being able to buy around Global radio stations, post-merger.

5. Post-merger, a significant proportion of national advertisers would be unable to avoid Global for national campaigns. The merger would create a portfolio of stations of such size that it would be prohibitively expensive and inefficient for national advertisers to buy around it.

Non-contracted advertising (local)

6. The merger would significantly lessen competition in local and regional areas where RSL and Global overlapped. In terms of audience share, demographics and licences, post-merger Global would have high shares in the majority of areas (54 per cent nationally, as high as 82 per cent in some areas and close to 70 per cent in others).

7. The merger would reduce the number of options available to local and regional advertisers from two to one in Wales, and three to two in Central Scotland, Yorkshire, the North-East and the East Midlands.

8. In Central Scotland, north-east England, West Midlands, Yorkshire and Manchester the merger would give rise to a monopoly or near monopoly of ownership of regional licences.

9. The majority of Bauer's local advertising had been placed directly [✂].

10. Demand for advertising fluctuated throughout the day, [✂]. Regardless of the time of day, Bauer's policy was to run advertisements for not more than [✂] minutes an hour.

11. Allocating advertising to slots was determined on a first-come-first-served basis. Bauer allocated time in advance to local and national sales teams but it was possible for this time to be reallocated between national/local if not sold by the respective team.

Sponsorship and promotion

12. Sponsorship and promotion secured a [✂] per cent premium to airtime pricing and was an attractive and growing part of Bauer's business growth.

13. The creativity of sponsorship and promotion made advertising messages more interesting and engaging for advertisers.

14. Bauer would have been invited along with other radio operators to a client briefing before going away and coming up with an idea.

15. Sponsorship and promotion had grown both locally and nationally because it was regarded as an effective form of advertising.

16. [✂]. There could be a situation where a station relied solely on sponsorship for funding, as in the case of some digital stations, but generally this would be constrained by listeners turning off a station that played too much commercial airtime.

17. The merger would significantly reduce competition in the supply of sponsorship and promotion at all geographic levels and offer no customer benefit to countervail the lost competition.

Entry and expansion

18. Audience as determined by RAJAR was the key metric upon which advertising revenue was based and it could take some time for sufficient exposure to register on RAJAR measures. The lead-in time between launch and profitability could also be considerable and returns were not immediate, [✂].

Counterfactual

19. Bauer had been interested in buying GMG because it was viewed as having attractive assets, a significant market share and [✂].

20. [✂].

21. GMG could have continued to operate its radio business as a stand-alone business.

The merger

22. As a result of the merger, there would be less choice for listeners because there would be significantly more networked programming, reduced dependence on content and the ability to increase expenditure on marketing.

23. The BBC should not be included in the market for the purposes of assessing the merger as Bauer did not think the BBC operated as a constraint in radio advertising markets or had a direct impact on commercial stations' revenues. An increased audience share of BBC service would not result in reduced national advertising

revenue as advertisers did not budget according to the BBC. There was no correlation between audience share relative to the BBC and revenue.

24. The merger would create a radio business with an unprecedented and ‘near monopolistic position’ in parts of the UK, and with a large national market share.

25. The merger would affect the RadioCentre, as GMG would no longer have a voice and Global would be in a significant position to influence key radio industry initiatives.

26. Global would be likely to rebrand and network the RSL and GMG stations in line with its existing strategy, curtailing local and regional advertising opportunities to advertisers.

27. The merger would lead to higher prices for agencies and advertisers due to diminished negotiating strength and less choice through Global becoming a ‘must have’ provider, making it difficult for advertisers to use an alternative. Regional and local advertisers would suffer in areas where Global had a monopoly or near monopoly share of audience/licences.

28. The potential Global Radio and GMG merger would change the face of commercial radio if allowed to go ahead and would give rise to significant competition issues in the supply of airtime and supply of sponsorship and promotion to advertisers and their agencies at national, regional and local level.