COMPETITION COMMISSION

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

## Summary of hearing with [Competitor A], 22 November 2012

### Background

1. [✂].

2. [✂].

3. [✂] [Competitor A targeted listeners between 25 and 44 years old.]

4. [Competitor A]'s turnover for the year ended [✂].

5. [Competitor A] considered consolidation in relation to ownership of commercial audiences and brands to be the most important trend affecting its sales and profitability. The vast majority of its revenue was attributable to airtime and that airtime was being traded through a decreasing number of customers. Against that backdrop, it was becoming harder for the smaller stations to stay on airtime schedules.

6. The ability to grow its business through acquisitions was significantly hindered by the fact that there were no available assets within the range of its company and funds, and there was a general lack of debt financing available.

7. [Competitor A's] growth plans for the immediate future would have to be to continue to grow organically by launching new services and finding new audiences, as there were virtually no opportunities for growth by acquisition.

8. [✂].

### Sponsorship and promotion

9. [✂].

10. Approximately [✂] per cent of [Competitor A's] revenue came from sponsorship and promotion (S&P) deals. It believed that it was successful with S&P as it was not subject to share deals, and that the agencies were negotiating on a case by case basis.

11. Its main competitors in relation to S&P were other radio sales operations (as opposed to other media such as print and television).

### Digital switchover concerns

12. [✂].

13. [Competitor A] considered [✂].

14. [✂].

15. [✂].

16. [✂].

17. The car industry was a big challenge for digital switchover, as the majority of car radios in pre-owned cars were analogue. Another concern of [Competitor A] was the number of fully-functioning analogue radio sets in each household which would need to be replaced or converted to effect a full digital switchover.

## Cross-industry bodies

18. [Competitor A] noted the significant influence that RadioCentre had over industry negotiations, for example in regulation of copyright and RAJAR, and expressed concern at how Global's influence could grow through consolidation.

19. RadioCentre should revert to the way it was incepted to represent the wider industry issues, rather than be unduly influenced by its largest shareholder, and Global's influence over RadioCentre's roadmap and budget was something that could have undue influence over the whole industry.

20. RAJAR was a very highly respected kite-mark brand, business and product. On that basis, the influence that the larger commercial radio groups could have over RAJAR's policy would have a dramatic impact on what services stayed on air and why and what (advertising) money moved around.

21. The ultimate influence on RAJAR, given the proposed merger, could put its important currencies, funding and independence at risk.

22. It believed that central Government had demonstrated little interest in RAJAR. For example, it had not invested in research to assist and promote the switchover to digital radio as it had done for the digital TV switchover.

## Multiplexes

23. [Competitor A] [✂].

## Counterfactual

24. [Competitor A] was not opposed to consolidation in the radio industry but was concerned with the rate of consolidation in the market.

25. It believed that one or two of the other radio broadcasters would have made likely consolidating partners if Global had not merged with GMG. It believed that there would have been more balance in the industry had a different broadcaster merged with GMG.

26. [✂]. [Competitor A] believed that GMG's brands were operated under a format with a brand that was incompatible with its own.

27. [✂].

28. [✂].

29. It was not concerned about the impact that the merger would have on competition for audiences but about the trading impact and competition for airtime and branding content in relation to share deals and consolidating buying points.

30. The consolidation of commercial radio was inevitable and overall a positive development for the industry. [Competitor A] took comfort from the fact that the Competition Commission could put mechanisms in place that ensured that significant leaps in market share could remain in everybody's best interests.