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

Summary of hearing with UTV, 16 November 2012

Background

1. UTV was a broadcasting and media company that was active in the UK and the Republic of Ireland and, pre-merger, was the fourth largest commercial radio group in the UK by audience. It broadcast a national radio station (talkSPORT), 14 independent local radio stations in the UK and eight radio stations in the Republic of Ireland. It had recently acquired the Midland News Association stations and sold certain loss-making stations.

2. UTV shared ownership of First Radio Sales (FRS) equally with UKRD, and FRS was an advertising, sponsorship and promotions sales house which represented over 100 independent local radio stations and digital-only stations, including UTV's 14 independent local radio stations in the UK.

3. UTV's strategy remained to maximize talkSPORT's audience and revenue and to grow its local radio assets. It did not plan to reclassify any of its local radio stations or rebrand because the vast bulk of its revenues were generated in local markets.

4. UTV had recently sought to extend talkSPORT's operations outside the UK by acquiring global audio rights for the Barclays Premier League, the FA Cup and the Capital One Cup, and it was looking to syndicate its programming on an international basis.

Advertising

5. The biggest trend affecting UTV's advertising sales had been audience growth, and its goal was to become a leading owner of commercial radio in the UK. talkSPORT was its largest radio trading asset and its local radio stations' national airtime was typically sold by FRS at a significant discount to the rest of the market.

6. UTV considered demographics to be predominantly relevant for advertisers at a national level, with cost per thousand for all adults being a more important measure at a local level. As other local radio stations were the main competitors, new business was identified by reviewing advertising on competing stations, but other media, including print media, were also monitored.

7. Sales teams operated in each of UTV's local radio stations, including separate local airtime and sponsorship and promotions teams. talkSPORT had its own sales team which sold airtime and sponsorship and promotions inventory alongside advertising space in UTV's *Sport* magazine.

8. talkSPORT had annual contracts with some agencies, but these did not include share commitments. UTV understood that agencies would sometimes be involved in share deals with other groups that would preclude them from purchasing significant advertising with talkSPORT or First Radio Sales. Some agencies were over-committed to other stations. UTV dealt with some advertisers directly and particularly with regard to sponsorship and promotion deals.

9. FRS was too small to be involved in the share deals taking place at a national level between Global and the media agencies.

10. The advertising market was not particularly supportive of digital radio. Advertising on DAB was only looked at in conjunction with an existing analogue service, and digital-only stations found it difficult to generate any significant revenue.

Counterfactual

11. UTV believed that if GMG had not sold its stations to Global, there would have been a range of potential buyers that would have ensured that the competitive nature of the national, regional and local sales continued.

12. UTV did not submit a formal bid for the GMG stations but it may have been interested in some of the GMG assets if Global had not purchased them.

13. It believed that GMG could have continued to operate the stations itself but would have had to reduce its cost base, particularly on the programming side.

Entry and expansion

14. Without a strong position in FM radio it would be difficult to enter the market, as the FM frequency band was full and there were no additional licences available. For a new entrant, it would also be difficult to get the economies of scale to compete at a national level.

15. UTV believed that a new entrant in UK radio could only enter through an acquisition of one of the existing services.

Digital and Internet radio

16. UTV had a controlling interest in one of three London multiplexes and a minority interest in a second. It also had controlling interests in multiplexes in Swansea, Stoke on Trent, Bradford & Huddersfield, Aberdeen and Central Scotland.

17. It considered multiplexes to be important in the context of a future digital radio switch-over. There was capacity available on existing multiplexes and further multiplexes were likely to become available.

18. The Internet could not support the level of radio listening taking place throughout the UK and was therefore unlikely to be a significant alternative platform for the foreseeable future.

The merger

19. The merger would result in a diminished level of potential revenue available for other broadcasters, citing factors such as the impact of share deals.

20. In many regions like the North-East and Newcastle, other radio stations did not offer true regional coverage, meaning Global was the only radio provider available for a regional advertiser.

21. Advertisers often bought around certain stations in order to achieve better coverage, and whilst this might still be possible post-merger, it would become more difficult to plan and execute.

22. UTV believed that, although cumbersome and not fully reliable, it was important for RAJAR to maintain a level of independence for the benefit of all commercial radio broadcasters, and that the merger might give Global undue influence on this body. UTV resigned its RadioCentre membership on the basis that, in its view, Global sought to dominate all of RadioCentre's public policy statements.