COMPETITION COMMISSION

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

Summary of hearing with Town and Country Broadcasting, 14 November 2012

Background

1. Town and Country Broadcasting (TCB) told us that it operated a single regional service (Nation Radio) and six local radio stations in south and west Wales. The Group was also a partner in the Wrexham and Chester DAB multiplex due to launch in early 2013 and the majority shareholder in the North Wales and West Wales DAB multiplexes which were yet to launch.

2. Although national advertising was an important component of TBC's revenue, around 84 per cent of its revenue in 2012 came from local advertising. As a result of the economic downturn, TCB had noticed that the bigger radio broadcasters were now targeting those local advertisers. Even if Global were to remain predominantly national, it would have the opportunity and would be unrestricted in being able to control and dominate the local market for local advertising.

3. The most recent RAJAR figures showed that about 15 per cent of TCB's overall audience was digital (which included listening online) with 19 per cent for Nation Radio and 18 per cent for Nation 80s. Although it could broadcast different advertisements on digital airwaves at the same time as analogue, TCB chose not to do so because there was not sufficient demand from advertisers for digital as there was no critical mass audience; TCB believed that this was unlikely to change for many years.

4. TCB did not believe that there was a strong enough business case to warrant launching a digital-only station in a local marketplace and believed that it was about a decade away from a point where it could successfully switch to digital as the primary broadcast method. Even then, it was likely that intervention might be required in rural parts of Wales to make this possible.

5. TCB believed that listeners' perception of station quality was in part informed by the types of advertisements that were broadcast. There was no regulatory restriction on the amount of advertisements TCB could run in an hour, [✂]. However, if it wanted to make significant changes to the music or style of its stations' programming, this would require approval from Ofcom.

Customers and pricing

6. TCB considered commercial radio to be a worthwhile media for local businesses in Wales, as television was inaccessible because of cost or geographic considerations. It viewed the local press as its closest competitor for revenue and the Real, Smooth and Capital stations were its main radio competitors.

7. Although the specific pricing varied by station, TCB charged customers for each time an advertisement was broadcast based on an agreed negotiated rate per advertisement. Its sales team could negotiate prices to attract new customers, but there was a minimum price set by management.

8. TCB generally sought long-term commitment from advertisers to fill advertising slots each month and throughout the year. It targeted potential customers by monitoring local press advertising and other radio stations.

9. [✂].

The merger

10. TCB's main concern with the merger was that advertising yield would decrease over time, because it thought Global would have the ability to drive prices downwards in the local marketplace if it desired to do so.

11. TCB had seen no joint Global GMG activity in the commercial marketplace since the merger but had seen a lot of Real Radio's output change.

Counterfactual

12. TCB believed that the GMG stations would have been acquired by someone else if the merger had not gone ahead. [✂].