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GLOBAL/GMG

THIRD PARTY SUBMISSION TO THE OFFICE OF FAIR TRADING

BAUER MEDIA GROUP

1. EXECUTIVE SUMMARY

Introduction

1.1 This submission has been drafted by Herbert Smith LLP as instructed by Bauer Media Group ("**Bauer**"). It sets out the reasons why Bauer believes that the OFT should recommend to the Secretary of State for Culture, Media and Sport that the completed acquisition by Global Radio Holdings Limited ("**Global**") of GMG Radio Limited ("**GMG**") be referred to the Competition Commission ("**CC**").

1.2 Bauer is grateful for the extension of time provided by the OFT which has allowed it to prepare this submission. Responses to the OFT's questionnaire issued to Bauer are also incorporated within the document.

1.3 Bauer submits that the merger leads to a substantial lessening of competition in the supply of commercial radio airtime and the supply of sponsorship and promotion ("**S&P**") on a national, regional and local level.

1.4 The outline of Bauer's submission is set out as follows:

1.4.1 background information (Section 2)

1.4.2 the relevant counterfactual against which the OFT should assess the merger (Section 3);

1.4.3 market definition (Section 4);

1.4.4 the impact of the merger on agencies and advertisers at a national, regional and local level (Section 5);

1.4.5 other effects of the merger as a result of the loss of GMG from the commercial radio sector (paragraphs 5.41 to 5.51);

1.4.6 barriers to entry and expansion (Section 6);

1.4.7 buyer power (Section 7); and

1.4.8 remedies (Section 8).

Substantial Lessening of Competition

1.5 The merger effectively leads to a reduction in the number of commercial radio operators nationally from three to two. It combines the leading supplier, Global, with the third largest supplier, GMG, to create a combined market share of [50-60]% by value and [40-50]% share of the national commercial radio audience (increment of [5-15]% in both cases). Post-merger, the combined market share would be almost double that of the next largest radio provider, Bauer (around [20-30]%).

1.6 At the national level the merger will result in a substantial lessening of competition by:

1.6.1 making it virtually impossible for advertisers to buy around Global/GMG,

thereby permanently reducing the options available to advertisers who wish to carry out a national radio advertising campaign;

1.6.2 changing the incentives of Global in selling GMG's airtime; and

1.6.3 eliminating the pre-merger competition between Global and GMG for the supply of national S&P, resulting in increased prices to advertisers, particularly given the significantly weakened bargaining position of agencies and advertisers due to their inability to buy around the merged entity.

1.7 At a regional and local level, the merger will also result in a substantial lessening in competition in all the areas in which Global and GMG overlap:

1.7.1 Global/GMG have high combined market shares in the majority of areas at no less than [50-60]% and in one case as high as [80-90]%, and in many cases close to or in excess of [65-75]%;

1.7.1 in many cases the merger reduces the number of options available to local or regional advertisers from two to one (namely in Wales, North Wales South Wales) or three to two (namely in Central Scotland, Glasgow, the North East, Yorkshire, Manchester and the East Midlands);

1.7.2 in a number of regions the merger gives rise to a monopoly (or significant increase in the concentration) of ownership of regional licences (namely in Central Scotland North East England, West Midlands and Yorkshire) or local FM (Manchester); and

1.7.3 Global is likely to rebrand GMG stations and make them part of its national network in-keeping with its pre-existing strategy of focusing on national networked sales of airtime and S&P; the regional and local advertising opportunities available to advertisers, and the ability to adjust campaigns on a regional basis are likely to be significantly curtailed.

1.8 The loss of GMG as a major independent commercial radio station operator is likely to reduce significantly the existing bargaining strength of all classes of buyer at whatever geographic level.

1.9 Barriers to entry and expansion are extremely high in the commercial radio sector, in particular, given the need for an analogue broadcasting licence and a London "shop window" to attract advertisers for national campaigns.

1.10 The merger also gives rise to adverse effects beyond those felt by advertisers, namely:

1.10.1 through Global/GMG's increased shareholding in and influence over RadioCentre, [ ]

1.10.2 Global/GMG will have a greater effective level of control over IRN, [ ];

1.10.3 by implementing its networking policy on GMG, listeners will lose valued local content and locally oriented and more diverse music playlists; and

1.10.4 by strengthening Global's ability to leverage its market strength to further its music publishing interests at the expense of competing publishers.

1.11 For the reasons set out in further detail below and in light of the significant concerns the merger raises at national, regional and local levels, it is highly unlikely that there will be a clear-cut remedy available to the OFT at first phase to restore the lost competition arising from the merger. As a result, the OFT should recommend to the Secretary of State that the merger be referred to the CC.

Counterfactual

1.12 The counterfactual against which the OFT should assess the merger is one where Global and GMG compete for the sale of advertising airtime and S&P at the national, regional and local levels. The national airtime sales agreement between Global and GMG is with respect to national advertising only (and does not include S&P), such that the OFT's assessment beyond the supply of airtime on a national basis is unaffected. However, if there is any doubt that this is the correct counterfactual, then a full review by the CC of the terms of the national airtime sales agreement between Global and GMG is clearly merited.

Underlying data, assumptions and analysis

1.13 A substantial amount of analysis has been undertaken to put together the buy around analysis. Should the OFT consider it helpful, we would be willing to meet with the case team to discuss and provide the underlying data and assumptions used.

2. BACKGROUND

Bauer Media Group

2.1 Bauer is a multinational media and publishing company, which comprises over 400 magazines, more than 100 websites, and 50 TV and radio stations. Bauer is the second largest commercial radio provider in the UK with 42 stations on AM, FM, digital, satellite and the Internet in England, Scotland and Northern Ireland. Bauer Radio operates 41 local analogue radio licences and 12 DAB multiplex licences. The UK Bauer radio network reaches 13.3 million adults each week according to RAJAR Q2 2012.[1]

[ ]

2.2 [ ]

Public interest intervention

2.3 Bauer has already made a separate submission to Ofcom to voice its concerns about the adverse impact the Global/GMG merger will have on plurality at a national, regional and local level. [Global already has significant audience shares at the national, regional and local levels, and these will increase materially as a result of the merger. In addition, GMG offered pre-merger a variety of high quality content including local news, current affairs (including documentaries and sport) and music, and was therefore an important and distinctive "voice" making a significant contribution to media plurality in the UK. Much of this content, which is highly valued by listeners, stands to be lost as a result of the merger, as Bauer expects Global to continue its well-established policy of networking generic content across its Capital and Heart brands.

2.4 [ ]

2.5 A full confidential version of the submission to Ofcom is annexed (Annex 1).

3. THE COUNTERFACTUAL

3.1 Bauer submits that the relevant counterfactual against which the OFT should assess this merger is one where Global and GMG compete for the sale of advertising airtime (including S&P) at the national, regional and local level.

3.2 As the OFT will be aware, Global and GMG operated under an agreement prior to the merger where Global acted as a national sales house for GMG by exclusively selling on

[1] RAJAR (Radio Joint Audience Research) is the official body in charge of measuring radio audiences in the UK (see www.rajar.co.uk)

behalf of GMG its national airtime to agencies (the "**Agreement**").[2] It is understood that the scope of the Agreement is limited in that GMG retained control of regional and local airtime sales (as well as national, regional and local S&P sales).

3.3 [ ]

3.4 Bauer understands that Global may seek to rely on the terms of the Agreement to argue that the merger does not change the competitive landscape on a national level from that which existed pre-merger. This is incorrect.

3.5 First, the Agreement is not structural and is capable of being altered and/or terminated. GMG could have (absent the merger) taken national airtime sales in-house or appointed someone else as its agent.

3.6 Second, Bauer suspects that the Agreement may be in breach of Chapter I of the Competition Act 1998 (the "**Act**"). Should the OFT conclude that this is correct, the Agreement would be rendered void and the counterfactual must revert to one where the Agreement never existed.

3.7 Even if the OFT were to conclude that the Agreement complied with competition law, it would still fall to the OFT to consider the effect of the merger compared with the most competitive counterfactual (provided that this situation can be considered to be a realistic prospect).[3]

3.8 Whilst Bauer is not in a position to make detailed submissions as to the validity of the Agreement under the Act, it has set out below the issues which the OFT and CC would need to take into account. It has also set out the reasons why, irrespective of the issue of validity the Agreement, it is not structural in nature.

The validity of the Agreement under Chapter I of the Act

3.9 It is accepted by the OFT and CC that a counterfactual cannot be constructed if it involves violations of competition law.[4] The European Commission has also recognised that *"[i]n the context of merger control, if the illegality of a pre-merger agreement between the parties could not be taken into account, the parties could argue that there would only be a small reduction or even no reduction of competition as a result of the merger. A merger decision in such circumstances would effectively incorporate and perpetuate the pre-merger illegality for ever* [sic], *since mergers that are approved under the ECMR are no longer challengeable under Article 81 of the Treaty*".[5]

3.10 The OFT would need to consider, on the facts available to it, whether: (i) the Agreement constitutes a commercialisation agreement between competitors which restricts competition by object or effect; and (ii) there is any justification for such conduct.

Does the Agreement fall within the Chapter I prohibition?

3.11 Commercialisation agreements involve the cooperation between competitors in the selling, distribution or promotion of their substitute products. The European Commission's Horizontal Cooperation Guidelines state that such agreements can lead to restrictions of

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[2] Bauer also understands that a similar sales agreement exists between Global and Orion for national agency airtime and sponsorship and promotion sales. It will also be necessary to for the OFT to take account of this agreement in its competition assessment of the Transaction.

[3] Merger Assessment Guidelines, OFT 1254 at paragraph 4.3.5.

[4] Merger Assessment Guidelines, paragraph 4.3.3.

[5] Case No COMP/M.5403 Lufthansa/BMI, Commission Decision dated 14 September 2009 at paragraph 42, footnote 30.

competition in several ways, in particular, by price fixing and exchanging strategic information relating to aspects within or outside the scope of the cooperation, or to commonality of costs.[6] Moreover, agreements limited to joint selling "*generally have the object of coordinating the pricing policy of competing manufacturers or service providers. Such agreements may not only eliminate price competition between the parties on substitute products but may also restrict the total volume of products to be delivered by the parties within the framework of a system for allocating orders*".[7]

3.12 It is understood from Bauer's customers that [ ].

3.13 Even from these limited facts, it would appear that the Agreement falls squarely within the Chapter I prohibition. [ ], Global evidently has access to current and/or future pricing and other strategic information of GMG in order to sell airtime on its behalf. This is of particular significance given that pre-merger, GMG competed with Global for regional and local airtime.

3.14 The OFT would need to be comfortable that any exchange of commercially sensitive information was somehow appropriately ring-fenced within the merging parties' respective sales teams (although it is understood that GMG does not have a separate sales team). Failing that, the OFT must be confident that the Agreement can be exempted under the Act.[8]

Is the Agreement exemptible?

3.15 It is clear that the parties had a strong degree of market power pre-merger, far in excess of 15% combined in the supply of national airtime (see national market share data in Tables 1 and 2 below). It would therefore not be possible for the parties to rely on the safe harbour provision as set out in the Horizontal Cooperation Guidelines.[9] The OFT must then assess the impact of the joint commercialisation agreement on the market.

3.16 Applying Article 101(3) TFEU principles, the Horizontal Cooperation Guidelines make clear that price fixing cannot generally be justified unless it is indispensable for the integration of other marketing functions, and that this integration will generate substantial efficiencies.[10] Moreover, restrictions must not go beyond what is necessary to achieve the efficiency gains and such efficiencies must be passed on to consumers to an extent that outweighs the restrictive effects on competition.

3.17 It is hard to see how the cost efficiencies could reasonably be considered to be indispensable and how such efficiency gains were in reality passed through to consumers pre-merger. Bauer's understanding is that Global benefitted from the commission it made under the Agreement and was able to leverage higher prices for its own stations as a result.[11] Nor is it clear the Agreement has led to increased quality, variety or service as a result. Moreover, given that GMG's stations have been operational since 1999, the parties cannot rely on market entry to contend that the Agreement is objectively necessary.[12]

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6 Guidelines on the Applicability of Article 101 of the Treaty on the Functioning of the European Union (TFEU) to horizontal cooperation agreements 2011 OJ C11/1 at paragraphs 230-233.

7 Horizontal Cooperation Guidelines, paragraph 234.

8 It should be noted that if Bauer were incorrect in its understanding that [ ] and/or that the parties had appropriately ring-fenced their sales teams, it would then be clear that the merger does in fact change the pre-merger competitive landscape.

9 Horizontal Cooperation Guidelines, paragraphs 240-241.

10 Horizontal Cooperation Guidelines, paragraph 246.

11 This is based Bauer's understanding from discussions with agencies.

12 Horizontal Cooperation Guidelines, paragraph 237.

A more competitive counterfactual

3.18 Bauer considers that the OFT should not assess the merger under existing pre-merger competitive conditions since the *status quo ante* is not the correct counterfactual to adopt in this case. As recognised by the OFT and CC in the context of rail franchises,[13] it is not possible to reach an expectation that Global would continue to operate national airtimes sales. Indeed, the opportunity pre-merger remained with GMG to exit the Agreement either by entering into a new arrangement with a third party or by taking national airtime sales in-house. Bauer is aware of at least two occasions where GMG attempted to find an alternative radio provider to take on its national airtime sales.

3.19 [ ]

3.20 [ ]

3.21 On this basis, Bauer believes that the counterfactual should not take into account the existence of the Agreement between Global and GMG pre-merger since it has always been possible for the Agreement to be awarded to another party or for GMG's airtime sales to be taken back in-house. Bauer is not aware of any developments since the Agreement was last up for retender that would render the other sales houses unsuitable or unable to handle the contract. Nor does it believe that GMG would not be able to undertake such national sales itself (indeed it contemplated doing so in 2008). The merger permanently removes the opportunity for another sales house to take that contract (or for GMG to take sales in-house) and to become a strong contender in the national commercial radio market.

3.22 The present case is broadly analogous to rail franchise bids where the OFT and CC have assessed the merger against a counterfactual where the existing rail franchise is coming to an end and must be awarded to one of the short-listed bidders, such that there is no expectation that the company currently running the franchise prior to the takeover by the new franchise holder will continue to operate the franchise absent the bid. Given that the Agreement is not of a structural nature and may be (and has in the past been) terminated, Bauer contends that the correct counterfactual is either one where the merging parties competed independently, or where (as was the position adopted by the OFT and CC in the rail franchise cases), the Agreement is awarded either to a company that would raise no competition concerns or to one in respect of which any competition concerns would be remedied through behavioural remedies.

Conclusion on the counterfactual

3.23 For the reasons set out above, Bauer believes the OFT should have regard to a counterfactual where Global and GMG competed for all sales at a national, regional and local level.

3.24 In Bauer's submission, the relevant counterfactual is clear. However, if there is any doubt then there are strong and compelling reasons to merit a full review of the Agreement by the CC given the importance of this issue in the assessment of the merger.

3.25 To the extent that the OFT (or CC) were minded to reject Bauer's submissions on the counterfactual, it is still the case that:

3.25.1 there will still be a change in the incentives of Global in relation to the sale of GMG national airtime to increase the price of that airtime as a result of the

[13] See FirstGroup plc and the Greater Western Passenger Rail Franchise, CC Report of 8 March 2006 at paragraphs 4.3-4.6; see also ME/5301/11 Completed acquisition by Abellio Greater Anglia Limited of the Greater Anglia Franchise, OFT decision of 10 February 2012.

merger (see paragraphs 5.24 to 5.25 below); and

3.25.2 the Agreement is limited to the supply of national airtime only, and does not include sponsorship and promotion sales or local or regional airtime. GMG competed independently pre-merger for sponsorship and promotion national sales to agencies as well as for local and regional airtime sales generally. This is of particular significance for the OFT in its market definition and competitive assessment analyses, as explained below.

4. MARKET DEFINITION

Product market

Introduction

4.1 As the OFT is aware, there are two purchasing channels in radio advertising:[14]

4.1.1 via agencies, which comprise (i) large London-based media agencies which tend to be part of large advertising groups: (ii) independently owned national agencies mainly based in London but focussing on national airtime (iii) independent regional agencies focussing on advertising in their region; and (iv) local independent agencies focussing on the needs of local clients; and

4.1.2 direct by the advertiser.

4.2 Revenues may be generated by commercial radio operators primarily in two different ways, namely via: (i) the supply of airtime; and (ii) the supply of S&P to agencies/advertisers.

4.3 If the OFT accepts Bauer's counterfactual scenario in the present case, Bauer submits that there is no need to assess S&P separately from the supply of advertising airtime as the competitive effects of the merger are likely to be similar for both product areas. However, in the event that the OFT rejects Bauer's submission on the counterfactual, the OFT should assess the supply of S&P as a distinct relevant product market. This is because GMG, pre-merger supplied national, regional and local S&P opportunities directly to agencies and advertisers. S&P does not fall within the scope of the Agreement and Bauer believes that the merger will create significant adverse competitive effects post-merger in this area which the OFT must assess.

The supply of commercial radio airtime

4.4 In previous cases, the OFT has considered the supply of radio airtime on a standalone basis, paying particular regard to any extraneous constraints from other forms of media in its competitive assessment. Bauer considers this is the correct approach to take since, on the basis of demand-side aspects, the supply of radio airtime is the narrowest candidate product market satisfying the hypothetical monopolist test.

4.5 A national radio campaign will normally form part of a wider multi-media campaign, involving advertising on the internet or TV, in magazines or newspapers etc. Radio is used primarily as a complement to, rather than as a substitute for, other forms of media for such campaigns. It is recognised as being one of the most cost-efficient and effective forms of media. It is also particularly unique in having low advertising avoidance (that is, listeners tend not to switch radio stations or turn the radio off completely) and enables critical day part listening, such as whilst getting ready for work or in the car, which other forms of

[14] Bauer does not consider these methods are contentious since they have been accepted by both Ofcom and the OFT. Bauer therefore does not discuss this further. See the Report on market definition in the commercial radio sector published by Ofcom on 19 October 2006; *Anticipated acquisition by Capital Radio plc of GWR Group plc*, OFT decision dated 22 December 2004; and *Global/GCap*, at paragraph 38.

media do not provide. It is also flexible in enabling advertisers to target particular demographics, such as young females or ABC1 males, or to target specific geographic areas (local, regional area, or national).

4.6 In light of these factors, Bauer believes that it is unlikely that a small increase in radio prices (relative to other media) would trigger a substantial reallocation of an agency's or advertiser's budget towards other media. The OFT should therefore continue to consider the supply of radio airtime as a product market distinct from other types of media.

4.7 From the perspective of listeners, radio is an important media form: [ ] million adults (over 90% of the adult population) listen to radio for an average of [ ] hours a week,[15] with [ ] million tuning in to commercial radio alone. DCMS recognises radio as being the second most consumed form of media in the UK.[16] In the Myers' Review, it is noted that radio's robust performance in comparison to other traditional media such as newspapers, magazines and TV derives from some unique characteristics, namely: (i) portability (consumers can listen in cars, in bathrooms, on public transport, or while walking); (ii) its usage as a secondary medium, enabling consumers to listen while pursuing a primary activity (at work, driving, using the internet); (iii) its ability to provide instant live access to a combination of information and entertainment simultaneously; (iv) its intimate usage as "company" for individuals listening on their own; and (v) radio is free at the point of use (after hardware purchase).[17]

4.8 For the reasons outlined above, Bauer agrees with the OFT's decisional practice that a distinct market exists for the supply of commercial radio airtime.[18]

The supply of S&P

4.9 Creative revenues are achieved by radio operators through S&P. Advertisers use promotional tools such as competitions and live brand mentions by DJs as they are often considered to be a more effective way for advertisers to boost recall and impression of a brand than spot advertisements. One of the reasons for the growth in branded content revenue is due to the relaxation of the Ofcom Broadcast Code. Following an extensive consultation, Ofcom introduced a 'lighter touch' code in December 2010. This has allowed advertisers greater integration into station editorial, with presenters, celebrities and brand ambassadors now able to endorse products. As a result, it is estimated that commercial radio receives approximately 20% of advertising revenue from S&P.[19]

4.10 While S&P is used to boost brand recall and build brand awareness (an example which was highly successful within Bauer is "[ ]"), airtime advertising is generally used for a different purpose, to convey information about an advertiser's products or services. Indeed, S&P [ ]. Whereas airtime is commoditised, S&P is a tailor-made creative solution where advertisers are actively involved in the process. As a result, radio operators typically have a separate

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[15] RAJAR figures in Q2 2012. Ofcom reports similar figures in *The Communications Market 2012*, Ofcom Report at paragraph 3.1.1See also Annex 1 at 2.6-2.9.

[16] A seminar paper published in preparation for a "Communications Review" seminar in September 2012, at paragraph 16.

[17] Independent Review of the Rules Governing Local Content on Commercial Radio by Myers, commissioned by DCMS - http://webarchive.nationalarchives.gov.uk/+/http:/www.culture.gov.uk/images/publications/An_Independent_Review_of_the_Rules_Governing_Local_Content_on_Commercial_Radio.pdf

[18] In response to Q.8 of the OFT's questionnaire, Bauer does not consider that the planned switchover to digital broadcasting will have any bearing on the OFT's assessment of the merger. Switchover is expected to take another 10 years to complete. Digital does not currently offer a separate platform for advertisers.

[19] RAB figures for 2011.

sales team dedicated to S&P supply, which are subject to different processes and checks, as is the case for Bauer and indeed GMG. In the event of a small increase in the price of S&P, it would therefore be unlikely that advertisers would switch to airtime advertising as an alternative.

4.11 Bauer considers that the supply of S&P should therefore comprise a separate market although as noted above it will only be necessary for the OFT to consider the effects of the merger on this market separately from airtime in the event that it does not accept Bauer's submissions as to the relevant counterfactual.

Geographic market

4.12 It has been accepted by the OFT in *Global/GCap* that radio advertising campaigns in the UK take place at a national (UK-wide), regional and local level, reflecting the geographic coverage sought by the client in question.[20] Bauer agrees with the OFT that this is the appropriate geographic scope for assessing the merger since competition for both the supply of airtime and the supply of sponsorship & promotion takes place at each of these levels.

5. COMPETITIVE ASSESSMENT

Introduction

5.1 The competitive impact of a merger depends on the counterfactual against which the merger is being assessed. As explained at paragraph 3.23 above, Bauer submits that the OFT should examine the merger relative to a situation in which Global and GMG compete for all types of sales, whether national, regional or local. The following analysis with respect to the supply of airtime on a regional and local level stands irrespective of the OFT's finding on the counterfactual, as does Bauer's analysis of the supply of S&P at all geographic levels. It is only Bauer's analysis with respect to the supply of airtime on a national level that may be affected by the OFT's finding on the counterfactual.

5.2 Due to constraints on data availability, the market shares and discussion below relate to radio advertising in general and should be read as applying equally to airtime advertising and to S&P, except where indicated. In any event, Bauer considers that estimates of airtime shares are a reasonable proxy for S&P shares.

Types of radio advertisers

5.3 Radio stations compete to sell airtime and S&P to "national" advertisers, that is, advertising agencies (whether London-based or regionally-based) who work on behalf of national clients, such as the UK government (e.g. the Central Office of Information[21]) or multi-national companies such as Unilever, and whose advertising campaigns cover large parts of the UK. Sales are also made to regional advertisers, who may have operations in a region or several cities, or to local advertisers, who operate only in a particular city or town.

5.4 Bauer's revenue from national (agency) advertisers accounted for approximately [ ]% of its radio (airtime and S&P) revenues in 2011; regional (agency) advertisers accounted for [ ]%; and other regional and local direct advertisers for the remaining [ ]%.[22] The impact of the merger on competition for these different types of advertisers is discussed in turn below.

Competition for national advertisers

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[20] *Global/GCap*, at paragraph 34.

[21] The COI has been closed and its functions transferred to the Cabinet Office.

[22] Source: Bauer. These figures relate to airtime and S&P.

5.5 National advertisers may purchase airtime on national stations (such as Classic FM), or on multiple regional stations to achieve similar coverage (e.g. Heart, Capital, Real), and purchase primarily through agencies.

5.6 Table 1 below sets out RAJAR data on the number of hours per week spent listening to commercial radio stations.

Table 1: UK audience commercial radio shares, 2012 Q2

Owner	Station(s)	Commercial radio audience (hours 000s)	Commercial radio audience share
Global	Heart	[ ]	[ ]
	Capital	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Gold	[ ]	[ ]
	LBC	[ ]	[ ]
	Choice	[ ]	[ ]
	X FM	[ ]	[ ]
	Global total	[ ]	[ ]
GMG	Real	[ ]	[ ]
	Smooth	[ ]	[ ]
	GMG total	[ ]	[ ]
Global + GMG combined		[ ]	
Bauer	Place portfolio	[ ]	[ ]
	Passion portfolio	[ ]	[ ]
	Bauer total	[ ]	[ ]
UTV	talkSPORT	[ ]	[ ]
	UTV Radio excl. talkSPORT	[ ]	[ ]
	UTV total	[ ]	[ ]
Absolute	Absolute Radio Network	[ ]	[ ]
Orion	Orion Midlands	[ ]	[ ]
Other	Other	[ ]	[ ]
Total		[ ]	[ ]

Source: RAJAR 2012 Q2 national TSA survey; data for half-year reporting periods. Figures may not appear to sum precisely due to rounding.

5.7 In the UK as a whole, Global is the leading supplier with a [30-40]% share of commercial radio audience. The merger combines the leading supplier with the third largest supplier (GMG, with [5-15]%) to create an entity with a [40-50]% share. A combined Global/GMG would have a share almost double that of the next largest firm (Bauer, with [20-30]%). Other substantially smaller competitors include UTV with [0-10]%, Absolute with [0-10]% and Orion with [0-10]% shares.

5.8 Table 2 below shows Bauer's best estimates of national airtime revenues shares via agencies. The market total is based on data for the year ending March 2012, from the RAB website.[23] Bauer has adjusted this figure, which is gross of agency commissions, to exclude agency commission of [ ]%. Bauer's revenue figures relate to its sales though national and regional agencies. Competitors' shares and estimated revenue figures are

[23] Radio Advertising Bureau (www.rab.co.uk).

Bauer's best estimates, based in part on anecdotal information received from agencies, in the absence of public or third party data sources; Bauer is not in a position to guarantee the accuracy of these estimated figures.

Table 2: Estimated national shares of UK agency revenues, year ending March 2012

	Estimated agency revenues (£m)	**Estimated agency revenue share**
Global	[ ]	[ ]
GMG	[ ]	[ ]
Combined Global/GMG	[ ]	[ ]
Bauer	[ ]	[ ]
UTV	[ ]	[ ]
Absolute	[ ]	[ ]
Orion	[ ]	[ ]
Other	[ ]	[ ]
Total	[ ]	[ ]

Source: RAB and Bauer estimates. Figures in the table may not appear to sum precisely due to rounding

5.9 Bauer estimates that Global has a share of [40-50]% and GMG a share of [5-15]% of revenues from agencies, resulting in a combined share of [50-60]%. Bauer is the next largest supplier with [20-30]%. Pre-merger Global sells national airtime on behalf of GMG (and also Orion); it does not sell S&P on behalf of these firms.

5.10 Global also sells national airtime around news bulletins under the IRN/Newslink arrangements on behalf of all UK radio stations, representing approximately [ ]%. The IRN/Newslink sales are attributed proportionately to the radio operators that contribute airtime to IRN which include Global, rather than treating such sales as exclusively Global sales.[24]

5.11 Figure 1 below contains a chart illustrating the pre-merger position of the largest UK radio stations or networks in terms of demographics (listener age and gender) as well as each station's reach. The figure shows that the merger combines Global's Capital and Heart networks with GMG's Real stations, which are very close in demographic space (indeed, Bauer believes that Real stations may be rebranded to Heart post-merger). Figure 1 shows that GMG's Smooth stations target an older demographic, with an average listener age in between that of Heart and Classic FM. As a result of the merger, Global/GMG will be the only national operator focussed on the older demographic.

[24] Under the IRN/Newslink arrangements, stations contribute airtime around news slots which is sold by Global under an airtime agency agreement. That revenue is used to fund the provision of the IRN news service to all local radio stations. Some stations will receive a rebate of airtime revenue. See also paragraphs 5.45-5.47 below.

Figure 1: National radio stations/networks, by demographic (gender, age) and relative reach in the national TSA

[ ]

Source: RAJAR. Size of bubbles are proportional to weekly reach. The age stated on each bubble is the average age. Notes: Only stations with [ ]% or more market share are shown. Global's Gold, X FM, LBC and Choice, UTV's radio stations excluding talkSPORT and Orion's station network do not appear on the chart for this reason.[25]

5.12 The merger will lead to a substantial lessening of competition on a national level by:

5.12.1 making it virtually impossible for national advertisers to buy around Global/GMG;

5.12.2 raising prices of GMG national airtime as a result of Global's change of incentives post-merger, and its intention to rebrand these stations and align with its national networking strategies; and

5.12.3 eliminating the pre-merger competition between Global and GMG for the supply of national S&P.

5.13 Each of these points is considered in further detail below.

Post-transaction inability of national advertisers to avoid using Global/GMG

5.14 A merger of Global with GMG would have the effect of making it virtually impossible for advertisers to buy around the merged entity, by permanently reducing the options available to advertisers who wish to carry out a national radio advertising campaign. At present, an advertiser wishing to put together a national campaign would have the option of using Global plus other stations, GMG plus other stations, or Bauer plus other stations (including those of GMG). While Global has by far the greatest national share, it is usually possible for an advertiser to construct a national campaign without undue reliance upon Global, or indeed without using any Global stations if they so wish. By contrast, advertisers will find it extremely difficult to avoid advertising with the merged entity if they wish to conduct a national campaign post-merger. A combination of Bauer stations with non-Global/GMG stations will simply not be attractive to most advertisers.

5.15 Bauer has carried out a "buy around" analysis of national radio advertising campaigns. Bauer selected a sample of advertising campaigns for analysis as follows: [ ]

5.16 [ ]

5.17 There are alternative approaches that Bauer could have taken to the buy around analysis; Bauer considers its approach to be robust and defensible and would be willing to meet with the case team to discuss and provide the underlying data and assumptions used.

5.18 In summary, Bauer's buy around analysis, [ ] shows that one can generally buy around Global today. However, it is not generally possible to buy around credibly a combined Global/GMG without the level of repetition of advertisements (the OTH) becoming unacceptably high – above a level at which agencies or advertisers would consider purchasing the campaign. The merger therefore will create a situation in which it will no longer be possible to buy around the new enlarged Global when conducting national campaigns.

Likely increase in price for advertisers purchasing former GMG stations

5.19 The merger will change Global's incentives in selling GMG's national airtime (even with

[25] Absolute's overall female share has been calculated from station-specific RAJAR figures.

the national airtime sales agreement in place) resulting in higher prices for that airtime. Bauer understands that prior to the merger, when selling GMG with Global national airtime, Global would sell GMG at a lower price than Global airtime in order to maintain Global's own national airtime offering at a higher price. This reflected the fact that Global retained the full revenue from its own airtime sales but only received a commission in respect of GMG sales under the Agreement. Post-merger, Global will be able to maximise the revenue from GMG airtime by restricting the volume of airtime sold thereby increasing prices.

5.20 Global is also expected to rebrand certain GMG stations (e.g. Real to Heart) and increase prices in line with those of its networked stations.

5.21 Bauer anticipates that customers will see their bargaining position worsen with respect to Global as their outside options are reduced. As explained above, advertisers wishing to conduct a "national" campaign are currently able to buy around Global in most cases, and use this threat to their advantage. A merger between Global and GMG, however, increases the dependence of advertisers on the combined entity. Post-merger, advertisers wishing to purchase a national campaign, or a campaign covering many regions of England in particular, for most demographic groups, will no longer be able to threaten credibly to use Bauer plus other stations (including those of GMG). As their bargaining position will deteriorate, the terms on which they do business with Global can be expected to worsen.

Loss of competition in relation to S&P

5.22 Global and GMG compete independently for the supply of S&P (irrespective of the counterfactual). Bauer competes head-to-head with GMG in S&P creative pitches, and recently [ ]. The merger effectively eliminates an important credible competitor in the supply of S&P.

Conclusion on competition for national advertisers

5.23 Bauer submits that the merger will give rise to a substantial lessening of competition with respect to national advertisers. The merging parties have high combined shares of commercial radio audiences and revenues associated with national advertising. Post-merger, it will be almost impossible for national advertisers to avoid purchasing from a combined Global/GMG. The merger can be expected to increase prices to advertisers, as the price of GMG stations increases post-transaction, and as the bargaining position of agencies and advertisers is significantly weakened. The loss of competition in the provision of S&P can also be expected to result in increased prices for national advertisers with respect to S&P.

Competition for regional and local advertisers

5.24 This section reviews overlaps between Global and GMG on a region-by-region basis. Global and GMG compete independently for regional and local airtime sales, and for the supply of S&P. This independent competition from GMG will be lost post-merger. In addition, as Global is likely to rebrand GMG stations and make them part of its national network approach, the regional and local advertising opportunities available to advertisers (e.g. for S&P), and the ability to adjust campaigns on a regional basis, are likely to reduce, as Global focuses on national networked sales of airtime and S&P.

5.25 This section begins with an analysis of audience shares. Bauer’s analysis is based on audience shares as it does not have access to third party data that would enable it to calculate revenue shares on a regional or local basis. There will be a relationship between audience shares and revenue shares.

5.26 All audience shares are based on RAJAR audience survey data on the number of hours listened to radio for 2012 Q2, for commercial radio stations (that is, excluding the BBC). National stations and national digital have also been excluded, with the exception of those that offer macros for regional advertising (Global's Classic FM and UTV's talkSPORT).[26] RAJAR's audience survey data is collated by [ ]. Most of the analysis below is based on the TSAs of Global's stations, in order to assess the competition facing Global in the regions and cities where it operates. In certain cases where Global does not have a station covering the area being examined (e.g. all Wales, or Glasgow), the TSA of a GMG station is examined instead. Further shares based on GMG TSAs are contained in Annex 2 but do not change the conclusions of the analysis set out below.

5.27 Table 4 below summarises the parties' shares of commercial radio audiences by region or city. The table shows that the parties' combined shares in the areas of overlap are significant – no less than [50-60]%, and in many cases close to or above [65-75]%. The increment in share is also substantial – generally more than [10-20]% (the London exception of a [0-10]% increment is discussed further below.) Bauer submits that a transaction giving rise to market shares of these levels requires in-depth scrutiny, and raises a strong presumption that there will be a substantial lessening of competition in these areas.

Table 3: Commercial radio audience shares (based on hours of listening), summary by region/city

Region / city	Definition of region (TSA)	Global share	GMG share	Combined share
Central Scotland	Global's Capital Scotland	[ ]	[ ]	[ ]
Glasgow	GMG's Smooth Glasgow	[ ]	[ ]	[ ]
Wales	GMG's Real Radio Wales	[ ]	[ ]	[ ]
North West & Wales	Global's Heart North West & Wales	[ ]	[ ]	[ ]
South Wales	Global's Capital South Wales	[ ]	[ ]	[ ]
North East	Global's Capital North East	[ ]	[ ]	[ ]
Yorkshire	Global's Capital Yorkshire	[ ]	[ ]	[ ]
East Midlands	Global's Capital East Midlands	[ ]	[ ]	[ ]
Manchester	Global's Capital Manchester	[ ]	[ ]	[ ]

[26] National stations include Absolute Radio's stations (Absolute Radio National, Absolute Radio Classic Rock, Absolute Radio 60s, Absolute Radio 70s, Absolute Radio 80s, Absolute Radio 90s and Absolute Radio 00s), Jazz FM, Planet Rock and various digital stations i.e. Heat, Q, Smash Hits, The Hits and Yorkshire Radio. The regional macros of Classic FM and talkSPORT do not correspond well to the regions and cities analysed below. The shares of these stations are nevertheless included within the audience share tables for completeness; their inclusion or exclusion makes little difference to the parties' combined shares. Absolute has not been included in the audience share tables (except in London) as it has a regional macro for London only.

Region / city	Definition of region (TSA)	Global share	GMG share	Combined share
West Midlands	Global's Heart West Midlands	[ ]	[ ]	[ ]
Birmingham	Global's Capital Birmingham	[ ]	[ ]	[ ]
London	Global's Capital London	[ ]	[ ]	[ ]

Source: RAJAR 2012 Q2 TSA surveys.

5.28 Each geographic area listed in Table 4 above is discussed in turn in Annex 3 below.

5.29 Regional and local advertisers consider a variety of factors when deciding on which radio stations to run a campaign. The most important of these are:

[ ]

5.30 The degree to which stations are regarded as close competitors by advertisers will depend on factors including all of the above. For this reason, information on geographic coverage, the type of licence held by a station, and information on a station's audience is presented in the detailed sections in Annex 3.

Conclusion on competition for regional and local advertisers

5.31 The region-by-region commentary in Annex 3 demonstrates that the merger gives rise to a substantial lessening of competition across large parts of the UK, on a regional basis and also on a local basis.

5.32 Global and GMG have high combined audience shares across all areas in which they overlap and (with the exception of London) the merger gives rise to a significant increment in share.

5.33 On examination of how competition works at a local or regional level, it is clear that in many cases the merger reduces the number of options available for regional or local advertisers from two-to-one, or from three-to-two. In particular since:

5.33.1 the regional macros of national stations are not a realistic alternative for a regional-based advertiser (the geographic coverage is too wide, giving rise to "wasted" advertising). The inclusion of these national stations in the share tables should not be viewed as suggesting that they are close competitors to the regional and more local stations.

5.33.2 smaller AM-based stations are not a good substitute for the parties' FM stations.

5.34 In a number of regions, the merger gives rise to a monopoly over regional licences, or a significant increase in concentration of ownership of regional licences.

5.35 The merger can be expected to result in higher prices for regional and local advertisers as their choice of stations is reduced, and as Global rebrands GMG stations to form part of its networks (e.g. from Real to Heart) and raises prices in the process.

Other post-merger effects

5.36 The merger will give rise to significant adverse effects in the wider commercial radio industry. Related associations and bodies are likely to be materially harmed as a result. Bauer sets out below some of its concerns with respect to these key areas. However, in the

relatively short period of time available, it has not been able to assess the impact of the merger in all other areas.

RadioCentre

5.37 RadioCentre is the commercial radio industry's trade body and works with government, policy makers and regulators as well as providing a forum for industry-wide discussion and debate. RadioCentre plays a critical role in raising the profile of commercial radio with advertisers and their agencies through the Radio Advertising Bureau ("**RAB**") (which it wholly owns), the marketing body for radio. RAB was set up to "sell" the merits of radio to advertisers, to advise radio stations on matters such as how to make their schedules more attractive to those advertisers and agencies, and to act as an advisory service to advertisers. Along with the BBC, RadioCentre jointly owns RAJAR, the official body in charge of measuring radio audiences in the UK. RAJAR surveys the audience figures of over 300 radio stations. Its data is relied upon by the advertising industry for the planning of campaigns and purchasing of airtime. It is therefore critical to the commercial success of commercial radio stations who are largely dependent on advertising revenues.

5.38 Bauer is concerned that, as a result of the likely changes to Global's business model and incentives resulting from the merger, Global will [ ].

5.39 Bauer has provided detailed information about the likely post-merger adverse effects on RadioCentre, RAB and RAJAR in its Ofcom submission at paragraphs 6.6-6.14 (see Annex 1).

IRN

5.40 UK commercial radio stations source their national and international news content from IRN. In total, IRN provides news content to [ ].

5.41 As a result of the merger [ ].

5.42 Bauer has provided detailed information about the likely post-merger adverse effects on IRN in its Ofcom submission at paragraphs 5.1-5.12.

Significant impact on listeners

5.43 Bauer is concerned that the merger will have a significant impact on listeners in the following ways:

5.43.1 Pre-merger, GMG operated a range of local and regional content (including news, and current affairs such as documentaries and sport etc.). Post-merger, Global can be expected to reduce its local content to push it back to the minimum permitted under applicable regulation (see the Ofcom submission at paragraphs 4.1-4.31);

5.43.2 GMG provided pre-merger a more locally-oriented and diverse music playlist which Global can be expected post-merger to reduce (see the Ofcom submission at paragraphs 4.32-4.42); and

5.43.3 There is a risk that the merger will lead to a loss of all local content from GMG (see the Ofcom submission at paragraphs 4.43-4.44).

Impact of the merger on the upstream supply of music by music artists and labels

5.44 Radio airplay is an essential factor in the life-cycle and prospects for commercial success of any music product, and remains one of the key drivers of sales. Consequently, major national station providers are able use the threat of withdrawal of airtime to exert commercial pressure on artists and labels.

5.45 Global is currently vertically integrated into artist management. It is able to use its position

as a radio owner to give airtime to the artists that it manages. Post-merger, Global will have a clear incentive and increased ability to reduce airtime currently allocated to independent acts by GMG stations in favour of promoting Global's preferred artists in accordance with its own commercial interests. It was observed in the evidence of Professor Stephen Barnett to the Leveson Inquiry[27] that *"[a]ll media conglomerates will exploit their own media outlets to promote their own products and ignore or disparage those of their rivals, thus entrenching a competitive advantage and potentially further reducing the number of significant voices."*

5.46 The increase in Global's audience share arising from merger (as indicated in Table 1 above) increases the ability of Global to influence competition among music artists and labels. The subsuming of GMG within Global's playlist policies removes GMG as an alternative route for artists and labels to obtain audience exposure for themselves and for their music products. The merger will effectively increase Global's ability to leverage other benefits for itself from the labels, such as artist access to events, TV commercials etc., with even greater strength than that existing pre-merger. Bauer would urge the OFT to contact the record labels to obtain their views as to the impact of the merger on this industry (see Ofcom submission Annex 9 for contact details).

5.47 Bauer has provided detailed information about the likely post-merger adverse effects on artists and labels in its Ofcom submission at paragraphs 6.1-6.5 (see Annex 1).

6. BARRIERS TO ENTRY AND EXPANSION

Entry

6.1 Bauer considers that barriers to entry are very high and new entry is virtually impossible except by acquisition at a national, regional, or local level. Bauer is not aware of any significant new entry having occurred at a national level in the last five years.

Licences

6.2 The main limiting factor on new entry is the requirement for operators to hold appropriate radio broadcasting licences. Licences are made available separately for analogue (AM or FM) and digital (DAB) broadcasting for a term of 12 years. In both cases, the number of licences available is limited by the capacity of the radio spectrum made available to radio broadcasting. In many cases, holders of digital licences will also hold licences for analogue broadcasting of the same station, and FM licences are automatically renewed for providers that operate concurrent digital distribution.

6.3 At a national level, only three commercial stations hold national analogue licences, namely Classic, talkSPORT and Absolute. In addition, the national D1 DAB multiplex offers national broadcasting for 12 services,[28] of which the combined Global/GMG entity will hold three. In addition, there currently exist six regional digital multiplexes, of which none are unused, and 13 local digital muxes licensed, but as yet are not launched (five are to operational by mid-2013).

6.4 As the OFT recognised in *Global/GCap*,[29] limits on the number of licences available represent a significant barrier to *de novo* entry by effectively placing a numerical limit on

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[27] Module 4 of the evidence of Professor Steven Barnett (member of the Media Standards Trust's Press Review Group) to the Leveson Inquiry - http://www.levesoninquiry.org.uk/wp-content/uploads/2012/06/Submission-by-Professor-Steven-Barnett.pdf .

[28] There is a separate digital multiplex available for exclusive use by the BBC.

[29] *Completed acquisition by Global Radio UK Limited of GCap Media plc*, OFT decision dated 8 August 2008 in case ME/3638/08, at paragraph 87.

the number of station providers. In fact, the only real route to market is through digital since, as the OFT will be aware, analogue licences are being phased out as a result of the intended switchover. Even if a potential new entrant would satisfy the requirements for a broadcasting licence and could afford the significant cost involved, this does not guarantee that one will be available.

6.5 Whilst it may be the case that additional digital licences will be made available by Ofcom in years to come which a new entrant could use to operate stations at a national, regional and/or local level in competition with Global, Bauer believes it is far too speculative at this stage to give the OFT comfort that any new entry would be timely, likely or sufficient to deter or defeat any attempt by the merged entity to exploit the reduction in rivalry flowing from the merger. In this regard, it should also be noted that [ ]. The merger will increase the number of stations that do not carry advertisements promoting digital radio.

Cost, brand awareness, reach and coverage

6.6 Aside from regulatory restrictions, prospective new entrants are subject to barriers in the form of high costs of entry, difficulties in building brand awareness and attracting listeners and the need to attain a sufficient level of coverage. Given the insurmountable entry requirement of a licence, Bauer does not comment at length or in detail on these additional requirements for successful entry, but notes briefly the following:

6.6.1 Cost - establishment of a new radio station requires significant investment both in terms of fixed costs and on-going expenditure. The cost of a standard stereo station slot on a regional digital multiplex can range from approximately £[ ] to £[ ], depending on the location. A slot on the national commercial multiplex would be likely to cost in the region of £[ ] or more (the actual price normally being determined by auction). On-going costs would include sales team costs, on air line up, transmission, office costs etc and marketing. For an average sized station ([ ]) these costs would be in the in order of £[ ] per annum (excluding marketing). Marketing costs depend on the location and age of the station but could be very substantial where a station is being launched. Given the significant up-front investment required and ongoing costs, a proposed new entrant would need to expect to achieve significant audience reach in a short time period, in order to be able to attract sufficient advertising revenues and be commercially viable.

6.6.2 Brand awareness and audience - in order for a radio station to be an attractive platform for advertising, it must have sufficient brand awareness, reach and listening hours. New entrants are therefore at a significant competitive disadvantage until sufficient brand strength and audience reach can be established.

6.6.3 Coverage - to be considered a credible platform for national advertising campaigns, a radio station provider will typically need to cover at least most of the major conurbations (including London) and operate one or more national stations. For a new entrant this implies significant upfront investment and therefore represents a barrier to entry.

Expansion

6.7 Commercial radio operators seeking to expand their existing business are subject to similar limiting factors. An operator of existing local services wishing to expand into regional or national services would need a London "shop window" through the control of a London FM licence, without which its viability would be severely restricted since it is necessary to ensure that the major agencies based in London understand the offering in order to buy the

brand. This would require radio operators to commit significant resources to acquire the necessary licences, sales staff and infrastructure, to obtain suitable content, and to carry out marketing activities, as for new entrants. Brand awareness and audience figures would also need to be developed at the national level, and it is questionable whether a pre-existing local service would be any better placed to obtain this than a new entrant. As noted above, the merger makes the acquisition of the "shop window" extremely difficult for a new entrant.

6.8 It is important to note that possession of a local broadcasting licence does not necessarily give an operator any advantage in obtaining a national broadcasting licence. An existing operator would still need to apply for a new national broadcasting licence and would therefore encounter the same barriers to entry as are associated with new entry, as outlined above.

Expansion through local station "bundles"

6.9 Whilst in theory it might be possible for a station to build a network of local stations (by acquisition or by rebranding, rather than through de novo entry) as a substitute for regional or national stations, in practice, there exist barriers which make such a strategy less likely to succeed. In particular, there are unlikely to be enough suitable independent local stations to make up a bundle to a sufficient degree to compete credibly on a wider geographical basis.

Expansion of advertising "minutage"

6.10 Operators may in some circumstances seek to "expand" by increasing advertising minutage as a proportion of total airtime. Whilst this would, in theory, represent an expansion of an operator's advertising business, it would not be a practicable approach and would be limited due to listeners' resistance to excessive advertising content.

6.11 The level of advertising revenues which can be obtained per minute of advertising time sold is in part dependent on the average number of listeners to a station.[30] National agencies which purchase advertising on an "airtime" basis are particularly sensitive to ensuring that advertising reaches as great a proportion of their target audience as possible. From a practical perspective, this in effect means the amount of broadcasting time which can be dedicated to advertising must be limited to a level which is acceptable to listeners. If a station exceeds this level, individuals are less likely to listen to the station or will switch over, which in turn reduces the attractiveness of the station to potential advertisers and is likely to result in lower revenues per minute of advertising time. Accordingly, whilst the operator's advertising capacity may be expanded, the commercial return may not increase by as much or may even be reduced.

6.12 Bauer [ ]

6.13 [ ].

6.14 Accordingly, although increasing advertising minutage may in theory provide an opportunity for expansion, in practice it is subject to practical limitations and would not provide a credible competitive restraint on the combined entity.

7. BUYER POWER

7.1 Given the substantial entry barriers discussed above, even the largest buyers in this industry (that is, the top agencies) are unable to exercise buyer power in the form of sponsoring new

[30] In some cases this will be expressly recognised through the incorporation of a base cost per thousand listeners.

entry.

7.2 Even if the large agencies may be said to exercise some degree of buyer power by leveraging the volume of business that they could offer in order to obtain better terms, the OFT has previously recognised that this will not amount to a plausible countervailing factor unless it generates an "umbrella effect" providing similar protection to other classes of customers.[31] As the OFT observed in *Global/GCap*,[32] radio advertising is characterised by individually-negotiated prices conducive to price discrimination, and such an "umbrella effect" is not likely to operate. It may therefore be anticipated that even if station providers were to respond to buyer power by competing more aggressively in order to acquire the largest campaigns or business from the largest agencies, they would offset this through higher prices to smaller agencies which do not possess equivalent bargaining strength.

7.3 Regional and national independent agencies are far less able to negotiate terms with station providers, as it is more difficult to switch to other media or stations in the event of a failed negotiation.

7.4 Smaller, local advertisers and agencies are generally the least able to negotiate terms with commercial radio station providers, particularly at national or regional levels.

7.5 Overall, the loss of GMG as an important independent radio station operator is likely to reduce significantly the existing bargaining strength by all classes of buyer.

8. REMEDIES

8.1 Given the significant concerns at national, regional and local levels, Bauer does not believe there is a clear-cut remedy available to the OFT at first phase to restore the lost competition arising from the merger.

8.2 In fact, on the basis of significant national adverse effects, Bauer believes it is unlikely that any structural and/or behavioural divestments will sufficiently address the adverse effects of the merger on the CC's assessment.

Herbert Smith LLP
31 August 2012

[31] ME/3638/08 Completed acquisition by Global Radio UK Limited of GCap Media plc, OFT decision dated 8 August 2008 at paragraph 83.

[32] Ibid, at paragraph 84.

Annex 2: Shares based on GMG TSAs

Table 1 below summarises market shares based on Global and GMG TSAs. Those tables not included in the main body of the draft are presented below in this Annex.

Table 1: Summary of National and Regional Audience Shares

Region / city	Definition of region (TSA)	Global share	GMG share	Combined share
UK	UK	[ ]	[ ]	[ ]
Central Scotland	Global's Capital Scotland	[ ]	[ ]	[ ]
Scotland	GMG's Real Radio Scotland	[ ]	[ ]	[ ]
Glasgow	GMG's Smooth Glasgow	[ ]	[ ]	[ ]
Glasgow	GMG's Real XS Glasgow	[ ]	[ ]	[ ]
Wales	GMG's Real Radio Wales	[ ]	[ ]	[ ]
North West & Wales	Global's Heart North West & Wales	[ ]	[ ]	[ ]
North Wales	GMG's Real Radio North	[ ]	[ ]	[ ]
North West	GMG's Real Smooth North West	[ ]	[ ]	[ ]
South Wales	Global's Capital South Wales	[ ]	[ ]	[ ]
South Wales	GMG's Real Radio South	[ ]	[ ]	[ ]
North East	Global's Capital North East	[ ]	[ ]	[ ]
North East	GMG's Real Smooth North East	[ ]	[ ]	[ ]
Yorkshire	Global's Capital Yorkshire	[ ]	[ ]	[ ]
Yorkshire	GMG's Real Radio Yorkshire	[ ]	[ ]	[ ]
East Midlands	Global's Capital East Midlands	[ ]	[ ]	[ ]
East Midlands	GMG's Smooth East Mids	[ ]	[ ]	[ ]
Manchester	Global's Capital Manchester	[ ]	[ ]	[ ]
Manchester	GMG's Real XS Manchester	[ ]	[ ]	[ ]
West Midlands	GMG's Smooth West Mids	[ ]	[ ]	[ ]
West Midlands	Global's Heart West Midlands	[ ]	[ ]	[ ]
Birmingham	Global's Capital Birmingham	[ ]	[ ]	[ ]
London	Global's Capital London	[ ]	[ ]	[ ]
London	GMG's Smooth Radio London	[ ]	[ ]	[ ]

Source: RAJAR 2012Q2. See individual tables in the draft and below for further details.

Table 2: Audience shares based on GMG's Real Radio Scotland

Owner	Station	Hours (000s)	Audience Share
Global Radio	Capital Scotland	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Real Radio Scotland	[ ]	[ ]

Owner	Station	Hours (000s)	Audience Share
	Smooth Radio Glasgow*	[ ]	[ ]
	96.3 Real XS Glasgow (was 96.3 Rock Radio)*	[ ]	[ ]
	GMG total	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Bauer Media	Clyde 1 FM*	[ ]	[ ]
	ForthOne*	[ ]	[ ]
	Clyde 2*	[ ]	[ ]
	Forth2*	[ ]	[ ]
	Bauer total	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Total		[ ]	[ ]

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 3: Audience shares based on GMG's Smooth Radio Glasgow TSA

Owner	Station	Hours (000s)	Audience Share
Global Radio	Capital Scotland*	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Real Radio Scotland*	[ ]	[ ]
	Smooth Radio Glasgow	[ ]	[ ]
	96.3 Real XS Glasgow (was 96.3 Rock Radio)*	[ ]	[ ]
	GMG total	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Bauer Media	Clyde 1 FM*	[ ]	[ ]
	Clyde 2*	[ ]	[ ]
	Bauer total	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Total		[ ]	[ ]

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA area

Table 4: Audience shares based on GMG's Real XS Glasgow

Owner	Station	Hours (000s)	Audience Share
Global Radio	Capital Scotland*	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Smooth Radio Glasgow	[ ]	[ ]
	Real Radio Scotland	[ ]	[ ]
	96.3 Real XS Glasgow (was 96.3 Rock Radio)	[ ]	[ ]
	GMG total	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Bauer Media	Clyde 1 FM	[ ]	[ ]

Owner	Station	Hours (000s)	Audience Share
	Clyde 2	[ ]	[ ]
	Bauer total	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 5: Audience shares based on GMG's Real Radio Wales South TSA

Owner	Station	Hours (000s)	Audience Share
Global Radio	Classic FM	[ ]	[ ]
	Capital South Wales*	[ ]	[ ]
	Gold South Wales*	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Real Radio Wales (South)*	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Town & Country Broadcasting	Nation Radio*	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 6: Audience shares based on GMG's Real Radio Wales North TSA

Owner	Station	Hours (000s)	Audience Share
Global Radio	Heart North West and Wales*	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Real Radio Wales (North)	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 7: Audience shares based on GMG's Real Smooth North West

Owner	Station	Hours (000s)	Audience Share
Global Radio	Classic FM	[ ]	[ ]
	Capital Manchester*	[ ]	[ ]
	XFM Manchester*	[ ]	[ ]
	Gold Manchester*	[ ]	[ ]
	Heart North West and Wales*	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Smooth Radio North West	[ ]	[ ]
	Real Radio North West - (was Century Radio)	[ ]	[ ]
	106.1 Real XS Manchester (was 106.1 Rock Radio)*	[ ]	[ ]

Owner	Station	Hours (000s)	Audience Share
	GMG total	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Bauer Media	Radio City 96.7*	[ ]	[ ]
	Key 103 (Manchester)*	[ ]	[ ]
	97.4 Rock FM*	[ ]	[ ]
	Magic 1152 (Manchester)*	[ ]	[ ]
	Magic 1548 (Liverpool)*	[ ]	[ ]
	City Talk 105.9*	[ ]	[ ]
	Magic 999 (Preston)*	[ ]	[ ]
	Bauer total	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
	107.6 Juice FM*	[ ]	[ ]
	UTV total	[ ]	[ ]
Independently Owned	96.2 The Revolution*	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 8: Audience shares based on GMG's Real Smooth North East

Owner	Station	Hours (000s)	Audience Share
Global Radio	Capital North East*	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Smooth Radio North East	[ ]	[ ]
	Real Radio North East - (was Century Radio)	[ ]	[ ]
	GMG total	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Bauer Media	Metro Radio*	[ ]	[ ]
	Magic 1152 (Newcastle)*	[ ]	[ ]
	TFM Radio*	[ ]	[ ]
	Magic 1170 (Teesside)*	[ ]	[ ]
	Bauer total	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 9: Audience shares based on GMG's Real Radio Yorkshire

Owner	Station	Hours (000s)	Audience Share
Global Radio	Capital Yorkshire*	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Real Radio Yorkshire	[ ]	[ ]
Global + GMG combined		[ ]	[ ]

Owner	Station	Hours (000s)	Audience Share
Bauer Media	Hallam FM*	[ ]	[ ]
	Magic 828 (Leeds)*	[ ]	[ ]
	Magic AM (Sheffield)*	[ ]	[ ]
	96.3 Radio Aire*	[ ]	[ ]
	Bauer total	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
	The Pulse*	[ ]	[ ]
	Pulse 2*	[ ]	[ ]
	UTV total	[ ]	[ ]
Independently Owned	Yorkshire Radio*	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 10: Audience shares based on GMG's Real XS Manchester

Owner	Station	Hours (000s)	Audience Share
Global Radio	Capital Manchester	[ ]	[ ]
	Classic FM	[ ]	[ ]
	XFM Manchester	[ ]	[ ]
	Gold Manchester	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Smooth Radio North West*	[ ]	[ ]
	Real Radio North West - (was Century Radio)*	[ ]	[ ]
	106.1 Real XS Manchester (was 106.1 Rock Radio)	[ ]	[ ]
	GMG total	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Bauer Media	Key 103 (Manchester)*	[ ]	[ ]
	Magic 1152 (Manchester)*	[ ]	[ ]
	Bauer total	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Independently Owned	96.2 The Revolution*	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 11: Audience shares based on GMG's Smooth Radio London

Owner	Station	Hours (000s)	Audience Share
Global Radio	Heart London	[ ]	[ ]
	Capital London	[ ]	[ ]
	LBC 97.3	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Choice FM London	[ ]	[ ]

Owner	Station	Hours (000s)	Audience Share
	Gold London	[ ]	[ ]
	XFM London	[ ]	[ ]
	LBC News 1152	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Smooth Radio London	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Bauer Media	Magic 105.4	[ ]	[ ]
	Kiss 100 FM	[ ]	[ ]
	Bauer total	[ ]	[ ]
TIML Radio Ltd	Absolute Radio London	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Sunrise Radio Group Ltd	Sunrise Radio (Greater London)	[ ]	[ ]
Premier Christian Media Trust	Premier Christian Radio	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 12: Audience shares based on GMG's Smooth East Midlands

Owner	Station	Hours (000s)	Audience Share
Global Radio	Capital East Midlands*	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Gold East Midlands*	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Smooth Radio East Midlands	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Orion Media	Gem 106*	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Table 13: Audience shares based on GMG's Smooth West Midlands

Owner	Station	Hours (000s)	Audience Share
Global Radio	Heart West Midlands	[ ]	[ ]
	Capital Birmingham*	[ ]	[ ]
	Classic FM	[ ]	[ ]
	Global total	[ ]	[ ]
GMG Radio	Smooth Radio West Midlands	[ ]	[ ]
Global + GMG combined		[ ]	[ ]
Orion Media	Free Radio FM (Birmingham & Black Country) (was BRMB and Beacon)*	[ ]	[ ]
	Gold (Birmingham & Black Country)*	[ ]	[ ]
	Free Radio FM (Coventry & Warwickshire) (was Mercia)*	[ ]	[ ]

Owner	Station	Hours (000s)	Audience Share
	Gold (Coventry & Warwickshire)*	[ ]	[ ]
	Orion Media total	[ ]	[ ]
UTV Radio	talkSPORT	[ ]	[ ]
Bauer Media	Kerrang! 105.2*	[ ]	[ ]
Total		[ ]	**100%**

Source: RAJAR 2012 Q2 TSA survey. * Indicates stations that do not cover the whole TSA

Annex 3 – Regional and Local Commentary

8.1 Each section begins with a table presenting commercial radio audience shares, based on hours of listening. Paragraph 5.31 above describes the construction of the share tables. The tables also present factual information on the radio stations within the base TSA: (1) a column indicating the type of radio licence held by the station (national, regional, local FM or AM); and (2) information on the percentage of the "base" TSA covered by stations which cover the less than 100% of the base TSA area.

8.2 Each section also contains a diagram in which demographic data (from RAJAR) on the radio stations in a particular geographic area are plotted against two axes:

8.2.1 Each station in the diagram is represented by a "bubble". The size of the bubble is proportional to the station's weekly reach (within the base TSA), measured in thousands;

8.2.2 The average age of the audience is shown on the horizontal axis – the bubble is centred on the average audience age (based on RAJAR data). The station's stated target audience age group is indicated on each bubble, directly after the station's name (e.g. "Smooth Radio Glasgow, >50"); and

8.2.3 The vertical axis shows the percentage of the station's audience which is female (again, based on RAJAR data). This information is also indicated on each bubble (e.g. "F 57%").

8.3 These diagrams provide some indication of the closeness of competition between radio stations. However, they have to be interpreted with considerable caution. As explained, local and regional advertisers consider a range of factors when selecting a radio station to run a campaign including geographic coverage, brand perception and whether the station is AM or FM (see paragraph 5.34 above). Demographic data is far less relevant to such advertisers than would be the case in respect of national advertisers. Accordingly, the diagrams are likely to reflect a conservative view and other factors (which are described below) are likely to be more determinative of the closeness of competition.

Central Scotland

8.4 Table 1 shows audience shares based on the TSA of Global's Capital Scotland, which covers the Central belt of Scotland. On this basis, the combined audience share of Global ([20-30]%) and GMG ([30-40]%) is [50-60]%. Bauer is the next largest competitor (with [30-40]%), with UTV's talkSPORT accounting for [0-10]%. The regional macros of Classic FM and TalkSPORT cover all of Scotland, not the Central Belt, and thus are not a cost effective advertising option for advertisers targeting Central Scotland.

Table 1: Commercial radio audience shares based on Global's Capital Scotland TSA

Owner	Station	Licence type[33]	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Capital Scotland (was Galaxy)	R		[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Real Radio Scotland*	R	[ ]	[ ]	[ ]
	Smooth Radio Glasgow*	FM	[ ]	[ ]	[ ]
	96.3 Real XS Glasgow *	FM	[ ]	[ ]	[ ]
	GMG total		[ ]	[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Bauer Media	Clyde 1 FM*	FM	[ ]	[ ]	[ ]
	ForthOne*	FM	[ ]	[ ]	[ ]
	Clyde 2*	AM	[ ]	[ ]	[ ]
	Forth2*	AM	[ ]	[ ]	[ ]
	Bauer total			[ ]	[ ]
UTV Radio	talkSPORT	N		[ ]	[ ]
Total				[ ]	**100%**

8.5 The merging parties' combined audience share in Central Scotland is [50-60]%. Bauer considers that this share understates the potential competitive significance of the merger. Table 2 shows the share of Central Scottish regional licences by owner. It shows that Global and GMG each own one of the two Central Scottish regional licences. The merger will therefore give Global a 100% share of Central Scotland's regional licences. A regional advertiser with operations across Central Scotland currently has a choice between advertising with Global's Capital or GMG's Real. Post-merger, this choice is removed and its options are reduced from two to one. [34]

Table 2: Ownership of Central Scotland regional radio licences

Licence owner	Number of licences	Share of licences
Global	1	50%
GMG	1	50%
Combined Global/GMG	***2***	***100%***
Others	0	0%
Total	2	100%

Source: Ofcom

8.6 Figure 1 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach. The figure shows that the merger combines Global's Capital with GMG's Real station, its closest competitor

[33] In this and subsequent tables: N= national licence, R = regional licence, FM = local FM licence, AM = AM licence.

[34] Instead of using Capital or Real Radio, a regional advertiser could use a combination of Bauer's Clyde 1 and Forth 1 stations to cover the Central Belt of Scotland (in which case the options for regional advertising are reduced from three to two). Bauer's stations operate from Glasgow and Edinburgh, respectively, with separate sales teams in each city. Bauer's Clyde 2 and Forth 2 stations would not be viewed as good regional substitutes as they operate on AM only.

in Central Scotland. Not only is the geographic coverage of these stations very close (they both cover the full Central belt of Scotland), these stations have similar reach, and broadcast contemporary music. Capital has a higher proportion of female listeners, and a slightly younger average aged listener in comparison with Real Radio Scotland but, overall, Real Radio appears to be the closest competitor to Capital.

Figure 1: Central Scotland radio stations, by demographic (gender, age) and relative reach in Capital Scotland TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the base TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.7 In view of the parties' high combined shares of commercial radio audiences and licences, and the relative closeness of the parties' stations (in particular, Capital and Real Radio), and the (taking a conservative view) "three-to-two" nature of the merger, Bauer submits that the merger will give rise to a substantial lessening of competition in Central Scotland.

Glasgow

8.8 Table 3 shows audience shares based on the TSA of GMG's Smooth Radio Glasgow, as Global does not have a station specifically focused on Glasgow. Global's Capital Scotland radio station has two transmitters: one covering Glasgow; and the other covering Edinburgh. It is therefore possible for Global to sell advertising in the Glasgow area only (since advertisers are not required to advertise over the station's entire coverage area). Table 3 shows that the combined audience share of Global (15-25]%) and GMG ([40-50]%) is [60-70]%. Bauer is the next largest competitor (with [30-40]%) – its Clyde 2 station operates on AM only and although it has a 9% audience share it is not a close competitor to stations on FM. UTV's talkSPORT accounts for the remaining [0-10]%; its regional advertising macro covers Scotland (as does that of Classic FM) and it will thus not be a realistic alternative for advertisers wishing to target the Glasgow area only. The options for an advertiser wishing to target Glasgow are currently Capital Scotland (via its Glasgow transmitter), Smooth Radio Glasgow, Real XS Glasgow and Clyde 1. The choice of suppliers will be reduced from three to two post-merger.

Table 3: Commercial radio audience shares based on GMG's Smooth Radio Glasgow TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Capital Scotland*	R	[ ]	[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Real Radio Scotland*	R	[ ]	[ ]	[ ]
	Smooth Radio Glasgow	FM		[ ]	[ ]
	96.3 Real XS Glasgow *	FM	[ ]	[ ]	[ ]
	GMG total			[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Bauer Media	Clyde 1 FM*	FM	[ ]	[ ]	[ ]
	Clyde 2*	AM	[ ]	[ ]	[ ]
	Bauer total			[ ]	[ ]
UTV Radio	talkSPORT	N		[ ]	[ ]

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Total				[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA

8.9 Figure 2 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach. Bauer's Clyde 1 is the only remaining FM competitor to Global/GMG.

Figure 2: Glasgow radio stations, by demographic (gender, age) and relative reach in Smooth Radio Glasgow TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the base TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.10 In view of the parties' high combined shares of commercial radio audiences and the "three-to-two" nature of the merger, Bauer submits that the merger will give rise to a substantial lessening of competition in the Glasgow area.

Wales

8.11 Table 4 shows audience shares based on the TSA of GMG's Real Wales station, which is the only station with a regional licence covering all of Wales. On this basis, the combined commercial radio audience share of Global ([40-50]%) and GMG ([30-40]%) is [80-90]%. Town & Country Broadcasting is the next largest competitor with [5-15]%; UTV accounts for approximately [0-10]%. Since neither UTV nor Classic FM have regional macros focused on Wales, they are not realistic alternatives for advertisers wishing to target Wales.

Table 4: Commercial radio audience shares based on GMG's Real Wales TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Classic FM	N		[ ]	[ ]
	Capital South Wales*	FM	[ ]	[ ]	[ ]
	Heart North West and Wales*	FM	[ ]	[ ]	[ ]
	Gold South Wales*	AM	[ ]	[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Real Radio Wales (South)**	R		[ ]	[ ]
	Real Radio Wales (North)**	R		[ ]	[ ]
	GMG total			[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Town & Country Broadcasting	Nation Radio*	R	[ ]	[ ]	[ ]
UTV Media	talkSPORT	N		[ ]	[ ]
Total				[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA. **Real Radio Wales South and North cover the full Real Radio Wales TSA.

8.12 In view of the parties' high combined shares of commercial radio audiences, the relative closeness of the parties' stations (see discussions of North Wales and South Wales below), and the "two-to-one" nature of the merger, Bauer submits that the merger will give rise to a substantial lessening of competition in Wales.

North Wales

8.13 Table 5 shows audience shares based on the TSA of Global's Heart North West and Wales station, which covers the north coast of Wales. On this basis, the combined audience share of Global ([40-50]%) and GMG ([20-30]%) is [60-70]%. Bauer is the next largest competitor with [20-30]%. UTV accounts for the remaining [0-10]%.

Table 5: Commercial radio audience shares based on Global's Heart North West & Wales TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Heart North West and Wales	FM		[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Smooth Radio North West*	R	[ ]	[ ]	[ ]
	Real Radio Wales (North)*	R	[ ]	[ ]	[ ]
	Real Radio North West - (was Century Radio)*	R	[ ]	[ ]	[ ]
	GMG total			[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Bauer Media	Radio City 96.7*	FM	[ ]	[ ]	[ ]
	Magic 1548 (Liverpool)*	FM	[ ]	[ ]	[ ]
	Bauer total			[ ]	[ ]
UTV Radio	talkSPORT	N		[ ]	[ ]
Total				[ ]	[ ]

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA.

8.14 Figure 3 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach. It shows that the demographic profile of Global's Heart NW and Wales and GMG's Real Radio stations are very close. While Bauer's Radio City may also seem to be a close competitor, its geographic focus is Liverpool rather than Wales, and advertisers wishing to target and audience in North Wales would not use Radio City as an alternative to Real Radio or Heart North West and Wales (as much of the advertising would be "wasted"). Bauer submits that its stations (based in Liverpool) are therefore not close competitors to the Global and GMG stations in North Wales. As discussed above, the national stations Classic FM and UTV do not have regional macros focused on Wales. The choices for advertisers wishing to target North Wales reduce from two (Heart North West and Wales and Real Radio North) to one as a result of the merger.

Figure 3: North West and North & Mid Wales radio stations, by demographic (gender, age) and relative reach in Heart North West & Wales TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the base TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.15 In view of the parties' high combined shares of commercial radio audiences, and the fact that the merging parties represent the only real alternatives for advertisers wishing to target North Wales, (i.e. this is a "two-to-one" merger), Bauer submits that the merger will give rise to a substantial lessening of competition in North Wales.

South Wales

8.16 Table 6 shows audience shares based on the TSA of Global's Capital South Wales station, which covers South Wales including Cardiff. On this basis, the combined audience share of Global ([40-50]%) and GMG ([25-35]%) is [70-80]%. The remaining share is split between Town & Country Broadcasting ([0-10]%), Bauer ([0-10]%) and UTV ([0-10]%).

Table 6: Commercial radio audience shares based on Global's Capital South Wales TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Capital South Wales	FM		[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	Gold South Wales	AM		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Real Radio Wales (South)	R		[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Town & Country Broadcasting	Nation Radio*	R	[ ]	[ ]	[ ]
Bauer Media	Kiss West*	R	[ ]	[ ]	[ ]
UTV Radio	talkSPORT	N		[ ]	[ ]
Total				[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA.

8.17 In South Wales, the transaction also combines the number 1 station (Real Radio Wales) with its closest competitor (Capital South Wales) – a station with similar output and which appeals to an audience with similar demographics. Figure 4 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach. Bauer's Kiss West appears a close competitor on the chart; it is however focused on Bristol and the surrounding area and is not viewed by advertisers targeting Wales as a good alternative to Global or GMG in South Wales; the station makes no sales to advertisers in Wales.

Figure 4: South Wales radio stations, by demographic (gender, age) and relative reach in Capital South Wales TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the base TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.18 In view of the parties' high combined shares of commercial radio audiences, and the fact that the merging parties represent the only real alternatives for advertisers wishing to target South Wales (i.e. this is a "two-to-one" merger), Bauer submits that the merger will give rise to a substantial lessening of competition in South Wales.

North East England

8.19 Table 7 shows audience shares based on the TSA of Global's Capital North East.[35] On this basis, the combined audience share of Global ([20-30]%) and GMG ([30-40]%) is [50-60]%. Bauer is the next largest competitor with [30-40]%; UTV accounts for approximately [0-10]%.

Table 7: Commercial radio audience shares based on Global's Capital North East TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Capital North East	R		[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Smooth Radio North East	R		[ ]	[ ]
	Real Radio North East - (was Century Radio)	R		[ ]	[ ]
	GMG total			[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Bauer Media	Metro Radio*	FM	[ ]	[ ]	[ ]
	Magic 1152 (Newcastle)*	AM	[ ]	[ ]	[ ]
	TFM Radio*	FM	[ ]	[ ]	[ ]
	Magic 1170 (Teesside)*	AM	[ ]	[ ]	[ ]
	Bauer total			[ ]	[ ]
UTV Radio	talkSPORT	N		[ ]	[ ]
Total				[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA

8.20 Neither Classic FM nor talkSPORT are effective competitors in the North East; their regional advertising macros do not correspond to the North East area. The shares presented above also overstate the competitive significance of Bauer in the region, as its Magic stations (on AM) are not viewed as good substitutes for the FM stations in the area. The only FM alternatives to Global and GMG in the North East are Bauer's Metro Radio and TFM Radio, which each cover a subset of the North East region.

8.21 Table 8 shows the share of North East England regional licences by owner. It shows that Global and GMG currently own one and two licences, respectively, out of a total of three. The merger will give Global a 100% share of North East England's regional licences. A regional advertiser with operations across North East England currently has a choice between advertising with Global's Capital or GMG's Real or Smooth. Post-merger, this choice is removed and its options are reduced from two to one.

Table 8: Ownership of North East England regional radio licences

Licence owner	Number of licences	Share of licences
Global	1	33%
GMG	2	67%
Combined Global/GMG	***3***	***100%***

[35] Global's Capital North East has two transmitters, which means that its advertisers can choose to target Tyneside, Teesside, or the North East area as a whole.

Licence owner	Number of licences	Share of licences
Others	0	0%
Total	3	100%

Source: Ofcom

8.22 In the North East region, the merger combines the number 1 station (Capital North East) with a close competitor (Real Radio North East) – a station with similar output and which appeals to an audience with similar demographics.

8.23 Figure 5 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach. It shows that the demographic profile of Global's Capital North East and GMG's Real Radio North East are close – with a predominantly female listener base ([ ]% and [ ]% of listeners, respectively). The output of these stations is primarily contemporary music. As indicated above, the Bauer Magic stations (on AM) are not realistic substitutes for the FM stations in the North East region.

Figure 5: North East England radio stations, by audience demographic (gender, age) and relative reach in Capital North East TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.24 In view of the parties' high combined shares of commercial radio audiences and licences, and the limited competitive alternatives (Bauer's FM stations, making this a "three-to-two" merger), Bauer submits that the merger will give rise to a substantial lessening of competition in North East England.

Yorkshire

8.25 Table 9 shows audience shares based on the TSA of Global's Capital Yorkshire. On this basis, the combined audience share of Global ([40-50]%) and GMG ([10-20]%) is [50-60]%. Bauer is the next largest competitor with [30-40]%, followed by UTV Radio with [5-15]%. Yorkshire Radio accounts for approximately [0-20]%.

Table 9: Commercial radio audience shares based on Global's Capital Yorkshire TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Capital Yorkshire	R		[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Real Radio Yorkshire*	R	[ ]	[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Bauer Media	Hallam FM*	FM	[ ]	[ ]	[ ]
	96.9 Viking FM*	FM	[ ]	[ ]	[ ]
	Magic 828 (Leeds)*	AM	[ ]	[ ]	[ ]
	Magic AM (Sheffield)*	AM	[ ]	[ ]	[ ]
	96.3 Radio Aire*	FM	[ ]	[ ]	[ ]
	Magic 1161 (Hull)*	AM	[ ]	[ ]	[ ]
	Bauer total			[ ]	[ ]
UTV Radio	talkSPORT	N		[ ]	[ ]

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
	The Pulse*	FM	[ ]	[ ]	[ ]
	Pulse 2*	AM	[ ]	[ ]	[ ]
	UTV total			[ ]	[ ]
Total				[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA

8.26 Neither UTV nor Classic FM have regional macros focused on Yorkshire; they are thus not realistic alternatives for advertisers wishing to target Yorkshire. [ ]. The main options for advertisers in Yorkshire are Global's Capital Yorkshire, GMG's Real Radio Yorkshire, and Bauer's FM stations with a narrower geographic focus (Hallam, Viking and Aire). Bauer's stations are generally used by local advertisers, and they thus are not a close substitute for the Global and GMG stations used by regional advertisers.

8.27 The parties' combined audience share in Yorkshire North East England is [50-60]%. Bauer considers that this share understates the potential competitive significance of the merger. Table 10 shows the share of Yorkshire regional licences by owner. It shows that Global and GMG currently each own one licence out of a total of three. The merger will give Global a 100% share of Yorkshires' regional licences. A regional advertiser with operations across Yorkshire currently has a choice between advertising with Global's Capital or GMG's Real Radio. Post-merger, this choice is removed and its options are reduced from two to one.

Table 10: Ownership of Yorkshire regional radio licences

Licence owner	Number of licences	Share of licences
Global	1	50%
GMG	1	50%
Combined Global/GMG	***2***	***100%***
Others	0	0%
Total	2	100%

Source: Ofcom

8.28 In Yorkshire, the merger combines the number 1 station (Capital Yorkshire) with a close competitor (Real Radio Yorkshire) – a station with similar output and which appeals to an audience with similar demographics. Figure 6 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach (Capital Yorkshire covers all Yorkshire; Real Radio Yorkshire covers Leeds, Sheffield, Doncaster, York and Harrogate). It shows that the demographic profile of Global's Capital Yorkshire and GMG's Real Radio Yorkshire are relatively close – with similar average age (33 and 39 years, respectively) and a predominantly female listener base ([ ]% and [ ]% of listeners, respectively). The output of these stations is primarily contemporary music. Bauer's closest (in terms of demographics) stations in the area are focused on more narrow geographic areas - Sheffield (Hallam FM) and Leeds (Radio Aire) – and thus compete less closely with the Global and GMG stations which have a wider geographic reach.

Figure 6: Yorkshire radio stations, by audience demographic (gender, age) and relative reach in Capital Yorkshire TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.29 In view of the parties' high combined shares of commercial radio audiences, monopoly over Yorkshire regional licences, the relative closeness of the parties' stations (Capital and Real Radio), and the (taking a conservative view) "three-to-two" nature of the merger for advertisers wishing to target Yorkshire, Bauer submits that the merger will give rise to a substantial lessening of competition in Yorkshire.

West Midlands

8.30 Table 11 shows audience shares based on the TSA of Global's Heart West Midlands. On this basis, the combined audience share of Global ([40-50]%) and GMG ([10-20]%) is [60-70]%. Orion is the next largest competitor with 23%. UTV's and Bauer's audience share is [0-10]%.

Table 11: Commercial radio audience shares based on Global's Heart West Midlands TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Heart West Midlands	R		[ ]	[ ]
	Capital Birmingham*	FM	[ ]	[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Smooth Radio West Midlands	R		[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Orion Media	Free Radio FM (Birmingham & Black Country) (was BRMB and Beacon)*	FM	[ ]	[ ]	[ ]
	Gold (Birmingham & Black Country)*	AM	[ ]	[ ]	[ ]
	Free Radio FM (Coventry & Warwickshire) (was Mercia)*	FM	[ ]	[ ]	[ ]
	Gold (Coventry & Warwickshire)*	AM	[ ]	[ ]	[ ]
	Orion total			[ ]	[ ]
UTV Radio	talkSPORT	N		[ ]	[ ]
Bauer Media	Kerrang! 105.2*	R	[ ]	[ ]	[ ]
Total				[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA

8.31 Neither UTV nor Classic FM have regional macros focused on the West Midlands (their macros cover the entire Midlands areas); they are thus not realistic alternatives for advertisers wishing to target the West Midlands.

8.32 The parties' combined audience share in the West Midlands is [60-70]%. This is similar to the parties' combined share of regional licences Table 12 shows the share of West Midlands regional licences by owner. It shows that Global and GMG currently each own

one licence (out of a total of three), for Heart and Smooth, respectively. Bauer owns the third licence (with Kerrang!).

Table 12: Ownership of West Midlands regional radio licences

Licence owner	Number of licences	Share of licences
Global	1	33%
GMG	1	33%
Combined Global/GMG	***2***	***67%***
Bauer	1	33%
Total	3	100%

Source: Ofcom

8.33 Figure 7 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach. It shows that the Global and GMG stations are targeted at different audiences: GMG's Smooth Radio West Midlands is targeted at an older demographic than Global's Heart and Capital West Midlands. However, GMG is the main competitor to Capital in the area: Bauer's Kerrang! is targeted at a much younger, more male demographic than Global's stations, and does not compete particularly closely. Orion's stations are geographically much more narrowly focused than those of Global, and as its Gold stations are on AM, they do not compete closely with rival stations on FM.

Figure 7: Birmingham & West Midlands radio stations, by audience demographic (gender, age) and relative reach in Heart West Midlands TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the base TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.34 In view of the parties' high combined shares of commercial radio audiences and regional licences, Bauer submits that the merger will give rise to a substantial lessening of competition in the West Midlands.

Birmingham

8.35 Table 13 shows audience shares based on the TSA of Global's Capital Birmingham station. On this basis, the combined audience share of Global ([45-55]%) and GMG ([10-20]%) is [60-70]%. Orion is the next largest competitor with [20-30]%. UTV and Bauer each have an audience share of [0-10]%.

Table 13: Commercial radio audience shares based on Global's Capital Birmingham TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Heart West Midlands	R		[ ]	[ ]
	Capital Birmingham	FM		[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Smooth Radio West Midlands	R		[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Orion Media	Free Radio FM (Birmingham & Black Country) (was BRMB and Beacon)*	FM	[ ]	[ ]	[ ]

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
	Gold (Birmingham & Black Country)*	AM	[ ]	[ ]	[ ]
	Orion total			[ ]	[ ]
UTV Radio	talkSPORT	N		[ ]	[ ]
Bauer Media	Kerrang! 105.2	R		[ ]	[ ]
Total				[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA

8.36 Neither UTV nor Classic FM have regional macros focused on Birmingham (their macros cover the entire Midlands areas); they are thus not realistic alternatives for advertisers wishing to target Birmingham.

8.37 Figure 8 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach.

Figure 8: Birmingham radio stations by audience demographic (gender, age) and relative reach in Capital Birmingham TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the base TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.38 In view of the parties' high combined shares of commercial radio audiences, Bauer submits that the merger will give rise to a substantial lessening of competition in Birmingham.

Manchester

8.39 Table 14 shows audience shares based on the TSA of Global's Capital Manchester. On this basis, the combined audience share of Global ([30-40]%) and GMG ([30-40]%) is [65-75]%. Bauer is the next largest competitor with [20-30]%, with others accounting for approximately [0-10]%.

Table 14: Commercial radio audience shares based on Global's Capital Manchester TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Capital Manchester	FM		[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	XFM Manchester	FM		[ ]	[ ]
	Gold Manchester	AM		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Smooth Radio North West*	R	[ ]	[ ]	[ ]
	Real Radio North West*	R	[ ]	[ ]	[ ]
	106.1 Real XS Manchester (was 106.1 Rock Radio)	FM		[ ]	[ ]
	GMG total			[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Bauer Media	Key 103 (Manchester)*	FM	[ ]	[ ]	[ ]
	Magic 1152 (Manchester)*	AM	[ ]	[ ]	[ ]

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
	Bauer total			[ ]	[ ]
UTV Radio	talkSPORT	M		[ ]	[ ]
Independently Owned	96.2 The Revolution*	FM	[ ]	[ ]	[ ]
Total				[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA

8.40 Neither UTV nor Classic FM have regional macros focused on Manchester; they are thus not realistic alternatives for advertisers wishing to target Manchester.

8.41 The parties' combined audience share in Manchester is [65-75]%. This is lower than the parties' combined share of the four local FM licences in the area. Table 15 shows the share of Manchester FM licences by owner – post-merger, Global's share will increase from 50% to 75%.

Table 15: Ownership of Manchester FM radio licences

Licence owner	Number of licences	Share of licences
Global (Capital, Xfm)	2	50%
GMG (Rock Radio)	1	25%
Combined Global/GMG	***3***	***75%***
Bauer (Key 103)	1	25%
Total	4	100%

Source: Ofcom

8.42 Figure 9 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach. It shows that Global's Capital Manchester and GMG's Real Radio are relatively close competitors, as are Global's XFM Manchester and GMG's Real XS Manchester (both targeted at a predominantly male demographic). Global and GMG both also have stations targeted at an older demographic: GMG's Smooth Radio which covers the North West region, and Global's Gold Manchester which is focused on Manchester.

Figure 9: Manchester radio stations, by audience demographic (gender, age) and relative reach in Capital Manchester TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the base TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.43 In view of the parties' high combined shares of commercial radio audiences and FM licences, and the closeness of competition between Global and GMG's stations, Bauer submits that the transaction will give rise to a substantial lessening of competition in Manchester.

East Midlands

8.44 Table 16 shows audience shares based on the TSA of Global's Capital East Midlands. On this basis, the combined audience share of Global ([40-50]%) and GMG ([20-30]%) is [70-80]%. Orion Media is the next largest competitor with [20-30]%. Global currently holds the national sales contract for Orion and sells Gem 106 which has a [20-30]% audience

share in the East Midlands. UTV's talkSPORT accounts for approximately [0-10]%. Bauer is not present in the East Midlands.

Table 16: Commercial radio audience shares based on Global's Capital East Midlands TSA

Owner	Station	Licence type	Coverage of TSA if <100%	Hours	Audience Share
Global Radio	Capital East Midlands	FM		[ ]	[ ]
	Classic FM	N		[ ]	[ ]
	Gold East Midlands	AM		[ ]	[ ]
	Global total			[ ]	[ ]
GMG Radio	Smooth Radio East Midlands*	R	[ ]	[ ]	[ ]
Global + GMG combined				[ ]	[ ]
Orion Media	Gem 106	R		[ ]	[ ]
UTV Radio	talkSPORT	N		[ ]	[ ]
Total				[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom. * Indicates stations that do not cover the whole TSA

8.45 Neither UTV nor Classic FM have regional macros focused on the East Midlands (their macros cover the entire Midlands areas); they are thus not realistic alternatives for advertisers wishing to target the East Midlands. There are only three FM competitors in the East Midlands: Global's Capital East Midlands, GMG's Smooth Radio East Midlands, and Orion's Gem 106. The merger will reduce the number of FM competitors in the East Midlands from three to two.

8.46 Figure 10 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach.

Figure 10: East Midlands radio stations, by audience demographic (gender, age) and relative reach in Capital East Midlands TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach within the base TSA. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.47 In view of the parties' high combined shares of commercial radio audiences and the "three to two" nature of the merger in East Midlands, Bauer submits that the merger will give rise to a substantial lessening of competition in this area.

London

8.48 Table 17 shows audience shares based on the TSA of Global's Capital London. On this basis, the combined audience share of Global ([50-60]%) and GMG ([0-10]%) is [50-60]%. Bauer is the next largest competitor with [20-30]%, with Absolute, UTV, Sunrise Radio and Premier Christian Media accounting for approximately [10-20]%.

Table 17: Commercial radio audience shares based on Global's Capital London TSA

Owner	Station	Licence type	Hours	Audience Share
Global Radio	Heart London	R	[ ]	[ ]
	Capital London	R	[ ]	[ ]
	LBC 97.3	R	[ ]	[ ]

Owner	Station	Licence type	Hours	Audience Share
	Classic FM	N	[ ]	[ ]
	Choice FM London	FM	[ ]	[ ]
	Gold London	AM	[ ]	[ ]
	XFM London	R	[ ]	[ ]
	LBC News 1152	AM	[ ]	[ ]
	Global total		[ ]	[ ]
GMG Radio	Smooth Radio London	R	[ ]	[ ]
Global + GMG combined			[ ]	[ ]
Bauer Media	Magic 105.4	R	[ ]	[ ]
	Kiss 100 FM	R	[ ]	[ ]
	Bauer total		[ ]	[ ]
TIML Radio Ltd	Absolute Radio London	R	[ ]	[ ]
UTV Radio	talkSPORT	N	[ ]	[ ]
Sunrise Radio Group	Sunrise Radio (Greater London)	AM	[ ]	[ ]
Premier Christian Media Trust	Premier Christian Radio	AM	[ ]	[ ]
Total			[ ]	**100%**

Sources: RAJAR 2012 Q2 TSA survey, Ofcom.

8.49 While the increment in share in London appears modest (only [0-10]%), this understates the impact of the merger on competition. Table 18 shows the share of London regional licences, by owner. It shows that Global holds 5 out of 8, and GMG 1 out of 8. The merger effectively increases Global's share of London licenses from 50% to 62.5%.

8.50 Stations without a London licence or national licence have no more than a [0-10]% audience share; a London licence provides an important "shop window" to enable expansion (see paragraph 1.9 above). While GMG's London audience share may be modest, the acquisition of GMG's London licence gives Global the potential to increase disproportionately its share of London and national radio listening time, its bargaining power vis a vis agencies (of which the largest are London-based) and hence revenues.

Table 18: Ownership of London regional radio licences

Licence owner	Number of licences	Share of licences
Global	4	50%
GMG	1	12.5%
Combined Global/GMG	***5***	***62.5%***
Bauer	2	25%
Absolute	1	12.5%
Total	8	100%

Source: Ofcom

8.51 Figure 11 below contains a chart illustrating the position of stations in terms of demographics (listener age and gender) as well as each station's reach. It shows that Capital has a range of stations covering different demographics – ranging from its musical stations Capital (average age 36, [ ]% female) and Heart (average age 50, [ ]% female); to its LBC stations with a primarily male and older audience demographic, with news and discussion output; and Gold London (average listener age 53). GMG's Smooth Radio easy listening station targets an older demographic (average listener age 50), and is thus closest to Gold and LBC in terms of listener demographic, and Gold in terms of output.

Figure 11: London radio stations, by audience demographic (gender, age) and relative reach in Capital London TSA

[ ]

Source: Calculations based on RAJAR. Size of bubbles are proportional to weekly reach. The age range stated on each bubble is the station's stated target audience (based on Ofcom licence documents).

8.52 In view of the parties' high combined shares of commercial radio audiences and FM licences, the particular strategic significance associated with the ownership of London licences, and the closeness of competition between Global and GMG in targeting an older demographic, Bauer submits that the merger will give rise to a substantial lessening of competition in London.