

Response to the CC's Information Request of 25 October 2012

1. *Information as to Global Radio's current competitors in the radio services industry in the UK, and what new competitors Global Radio may face in the future*

Focusing on competition for radio advertising, in relation to the West Midlands, we consider that Global (present in the West Midlands through Capital and Heart) faces competition primarily from ourselves and, pre-acquisition, GMG (Smooth). Competition is also present from Bauer Radio's WM regional Kerrang! Rock music service. There is also a small fringe of more localised competition being offered from Touch (in Coventry/Warwickshire) and Signal (in Wolverhampton & Shropshire): however, we consider the competitive restraint they impose on Global/GMG to be minimal due to their limited geographic presence and listener base.

In relation to the East Midlands, Global's Capital (serving Nottingham, Leicester and Derby) faces competition, primarily from ourselves and, pre-acquisition, GMG (through Smooth, another East Midlands regional service). Other local radio stations, such as Quidem (Oak FM) and Lincs FM Group (Rutland Radio) have a limited geographic presence, serving just a single town (Loughborough) in the case of Oak, and a collection of small towns (Oakham, Uppingham and Stamford) in the case of Rutland FM. Oak have just 26,000 listeners according to Rajar and Rutland are too small to even measure themselves in Rajar.

As further explained below, in relation to national contracted advertising, Global currently conducts all rate and contract negotiations with media buying agencies on Orion's behalf under an Advertising Sales Agreement. [REDACTED].

[REDACTED].

We consider what new competitors Global may face in the future in our views on market entry.

2. *How easy or difficult would it be to enter this market*

[REDACTED] [W]e consider that the only effective way for new entrants to enter and establish themselves in the Midlands or elsewhere in the UK is through acquisition of established brands/stations.

This is due, as is the inability of existing operators to readily expand operations, to a number of factors, not least being:

- (a) the FM band is full;
- (b) launching a DAB/digital listening service at a local level is not viable due to the high costs of starting and operating a radio station, and the currently limited appeal of digital-only

- services to local advertisers who are used to the much larger local offerings of heritage operators;
- (c) locally, new stations would face a huge challenge in taking business away from existing stations. Repeat business occurs if local clients get results from advertising. If a client finds a route to market that works for them, and if they build an amicable relationship with the station, it can be difficult for any other station, let alone a new one, to break in; and
 - (d) the local radio market is mature and it is difficult to see how the industry as a whole can expand on local radio's share of overall advertising. [REDACTED].

3. *The effect of the acquisition on current and future customers, suppliers or competitors*

With particular reference to the local markets in which Orion is active, we can see no major benefit to advertising clients from the Global/GMG transaction, with any additional "ease of purchase"/"one-stop shopping" issues being outweighed by the reduction in advertiser choice. In the local markets we cover, advertisers have benefited from having multiple sales points, each holding an important share of audience for sale, not least due to the competitive restraint that this generates

[REDACTED] [A]t a local level, our specific concern would be how the new, larger Global sales operation could bundle stations together to create a large buying point covering much of the regions' available commercial audience, [REDACTED].

In addition, given the proximity of the East and West Midlands' markets, and the fact many of the larger Midlands advertising agencies buy across both and enjoy deals with media owners across both, we believe that the transaction would give Global an even stronger position and incentive to substantially lessen competition in both markets.