

As of 9 November 2012



Town & Country Broadcasting Limited  
The Media Centre  
Culverhouse Cross  
Cardiff  
CF5 6XJ

[✂]  
Competition Commission  
**BY EMAIL ONLY**

tel 029 2141 4100

fax 029 2141 4101

Dear Daniel

email: [enquiries@townandcountrybroadcasting.com](mailto:enquiries@townandcountrybroadcasting.com)

### Information requested on 22 October 2012

#### **(i) 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;**

TCB is a predominantly Welsh-based and focussed broadcasting organisation and therefore this response is limited to the Welsh radio market.

Global Radio's current competitors for revenue are other commercial radio station operators, Commercial TV (including S4C in Wales); other forms of alternative marketing spend including press, internet, outdoor etc. TCB is a direct competitor for audience and revenue of GMG in Wales. The coverage area of Real Radio Wales wholly overlaps all 7 of TCB's Welsh services and also of Global Radio in Cardiff and Newport and to a lesser extent Bridgend where the coverage area of Capital South Wales is overlapped by Nation Radio and Bridge FM.

We wish to correct the assertion made to the OFT by Global Radio<sup>1</sup> in respect of North Wales as we do not consider that Radio Ceredigion competes with Global Radio's existing stations in North Wales. In fact, the surveyed audience areas of Radio Ceredigion and Heart North Wales for RAJAR do not appear to overlap at all<sup>2</sup> (Appendix 3) and the measured coverage area (MCA)<sup>3</sup> shows an overlap of just 132 adults representing significantly less than 1% of either station's overall MCA. We accept that GMG's Real Radio service wholly overlaps with Radio Ceredigion however we understand that the transmission configuration of Real Radio would not allow a client to purchase advertising into Ceredigion only.

For audience (time spent listening), Global Radio competes with all other radio stations, including the BBC's local and national services and all other forms of media (such as internet, press, TV). Almost all audiences for local radio stations are derived from the local transmission area of each station.

It is unlikely, prior to digital switchover, that Global will face significant competition from within the radio sector as analogue space is scarce and Ofcom have made no indication that space is likely to become available. Future competition for audience and revenue is therefore likely to come from alternative or emerging media (such as local television) or major technological change (such as the ability to receive a streamed radio service in the car).

<sup>1</sup> [http://oft.gov.uk/shared\\_ofm/mergers\\_ea02/2012/Global.pdf](http://oft.gov.uk/shared_ofm/mergers_ea02/2012/Global.pdf) Paragraph 58

<sup>2</sup> Source: RAJAR subscriber mapping services

<sup>3</sup> Source Ofcom MCA overlap spreadsheet <http://stakeholders.ofcom.org.uk/broadcasting/radio/coverage/>

## **(ii) how easy or difficult would it be to enter this market?**

Entering the market to supply radio advertising is virtually impossible since it requires a universally available platform (AM/FM) in order that listeners can receive the station. Since there are currently no plans for any further analogue FM radio stations the only way to enter the commercial radio market is to purchasing the assets of an existing analogue broadcaster.

Other platforms are available but offer sub-scale take up and unviable costs: Internet radio has limited barriers to entry and is relatively unregulated. The Global/GMG acquisition is unlikely to affect this platform. However, it is difficult to envisage until such time as IPTV and mobile devices including cars can receive streamed services that this would become a primary platform.

Digital TV (IPTV and other connected devices, Sky, Freeview, Virgin, Freesat) also has limited barriers to entry and is relatively unregulated. The Global/GMG acquisition is unlikely to affect this platform. However, the high carriage costs of these platforms make it unlikely that such a radio service would be commercially viable using Digital transmission as a primary platform.

DAB Radio is likely to emerge as the primary platform for radio transmission in the future based on current government policy. This market differs from analogue radio as the opportunity to broadcast on DAB is not wholly controlled by Ofcom but by the owner of the relevant DAB multiplex which in some cases may be a competing radio company. However, there is no current example of a viable DAB only station and DAB radio is currently almost exclusively used by the large groups to simulcast existing analogue radio stations.

## **(iii) the effect of the acquisition on current and future customers, suppliers or competitors**

The effect of the acquisition on customers will naturally be determined by the actions of the new entity following the completion of the current 'hold separate' arrangement. This is impossible to predict, however concerns emerge in the following areas:-

It is possible that customers will be unable to build an effective radio campaign without engaging with the combined entity given the high market share in Cardiff. Local advertisers can currently plan a viable campaign by using only Real or only Capital. These choices will be based on price and audience delivery and may be complemented by additional campaigns on Kiss and/or Nation.

With both mainstream local radio stations in Cardiff under common ownership, local advertisers will lose negotiating power as they will be dealing with a merged buying point. It is possible that the combined entity may prevent sectors from purchasing advertising due to low availability (assuming that the entity would prefer to take national brands) or brand fit.

Alternatively, it becomes possible that the new entity might manipulate pricing strategy downward in order to price out local competitors. It is possible that the new entity may distort the employment market by, for example, poaching sales staff from other competitors.

It is possible that the new entity on UK scale may gain control of the trade body 'RadioCentre' and therefore determine at a UK level the commercial radio interest in organisations such as RAJAR (audience research).

It is possible that the new entity may discontinue or alter existing arrangements in Newlink, Independent Radio News and the Hit 40 UK chart show.

We are concerned that TCB misses out on revenues as local advertising budgets will tend to gravitate towards the combined GMG/Global entity. Cardiff is Wales' most valuable commercial radio market and both of these stations have a turnover many times the size of the next nearest rival.

Furthermore, [✂] we believe that revenues may be moved away from TCB and from other smaller players in Wales towards the GMG/Global combination of stations. The loss of these revenues could have a material impact on the market and possibly also impact the viability of some local services.

I have responded separately to your market questionnaire and look forward to giving oral evidence to the Competition commission in due course.

Yours sincerely

**Martin Mumford**  
**Managing Director**