

**Global Radio / Real and Smooth Limited**

**RESPONSE OF GLOBAL TO  
THE COMMISSION'S NOTICE OF POSSIBLE REMEDIES**

**LISTENER BENEFITS ANNEX**

**Summary**

This annex sets out the relevant customer benefits for listeners arising from the merger between Global and RSL. In summary, these include:

- (i) [REDACTED];
- (ii) the launch of an in depth, innovative Welsh news service, giving rise to greater choice of news for listeners in Wales;
- (iii) the launch of an in depth, innovative Scottish news service, giving rise to a greater choice of news for listeners in Scotland;
- (iv) higher quality [REDACTED] network; and
- (v) higher quality [REDACTED] network.

This annex will address each of these benefits in turn.

## 1. [✂]

Summary

## 1.1 [✂]

## 1.2 [✂]

1.3 [✂] The incentives of a radio station owner to differentiate overlapping radio stations are well accepted and understood in economic literature, and are discussed in detail in the OFT's *Global/GCap* decision.

## 1.4 [✂]

## 1.5 [✂]

## [✂]

## 1.6 [✂]

## [✂]

1.7 [✂]<sup>1,2</sup>

1.8 [✂] As shown in Table 1, across the whole of the UK, only 19% of Real's listeners and 20% of Heart's listeners are aged 15-24, compared to 34% for Capital.

**Table 1**  
**Age Breakdown for Heart, Capital and Real Listeners (Whole UK)**

Station	15-24	25-34	15-34	35-44	45-54	55-64	65+
Heart	20%	21%	41%	21%	21%	11%	7%
Real	19%	20%	39%	23%	22%	11%	5%
Capital	34%	24%	58%	19%	14%	5%	4%

Source: RAJAR data 2012 Q4.

1.9 [✂]<sup>3</sup>1.10 [✂]<sup>4,5,6,7</sup>


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<sup>1</sup> [✂]

<sup>2</sup> [✂]

<sup>3</sup> [✂]

1.11 [✂]

Global's incentive to differentiate its stations is as a result of its common ownership [✂]

1.12 [✂]

1.13 As recognised by the OFT in *Global/GCap*,<sup>8</sup> when radio stations are independently owned and competing, they commonly target the “median listener”, i.e. they offer a general entertainment profile to appeal to as many listeners as possible. By contrast, as evidenced by Global's strategy subsequent to the acquisition of GCap, when a set of stations has one owner, this owner has the incentive to differentiate each of its stations to target more specific audiences so as to attract more listeners to its network as a whole.

1.14 Single ownership of several radio stations is therefore likely to increase the range of stations appealing to different tastes in a given area. These efficiencies were recognised in the context of the abolition of the local radio and cross-media ownership rules in 2011. As noted during related parliamentary debates:

*“If you are one owner with four stations it is in your own interest to make those stations different from each other as do the BBC with Radio 1, Radio 2, Radio 3, Radio 4 and Radio 5 and so on. At the moment, four separate owners all chase the same market and duplicate themselves. One owner would serve four markets, so already there is a gain to the public good.”<sup>9</sup>*

1.15 The OFT recognised in *Global/GCap* that:

*“A further demand-side merger efficiency in a two-sided market such as radio can occur as a result of post-merger product or brand repositioning. The basic proposition is that by changing radio stations' format and/or programming post-merger in a way that benefits listeners (that is by greater demographic specialisation by individual radio stations), combined radio stations can achieve a larger and more focussed total audience. The resulting airtime is therefore more valuable to advertisers seeking to reach a large, focussed demographic. This is also known as an indirect network effect or externality. Economic theory supports this argument, and this theory has been validated by empirical*

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<sup>4</sup> [✂]

<sup>5</sup> [✂]

<sup>6</sup> [✂]

<sup>7</sup> [✂]

<sup>8</sup> See OFT's decision in *Global/GCap*, paragraphs 165 and 173-174.

<sup>9</sup> Lord Gordon of Strathblane, 9 June 2011, Hansard.

*evidence specifically in relation to the radio broadcasting sector, albeit in a different jurisdiction. This suffices to rule any out concerns that such claims should in principle be dismissed as not being recognizable as efficiency claims.”<sup>10</sup>*

1.16 The OFT further acknowledged that:

*“these demand-side brand re-positioning efficiencies would not be possible absent the merger because, absent the merger, there is an incentive on both parties (separately) to seek to capture as much as demographic space as possible, effectively “chasing the middle ground”. [...] As a result, it is only upon the bringing of the different stations under common ownership that it would be rational for the owner of those stations commercially to take the decision to differentiate the stations further in terms of demographic space. This claim gains weight, because it is consistent with the U.S. evidence on product repositioning of radio stations format that occurred after a wave of mergers following U.S. deregulation of ownership restrictions, but not before it.”<sup>11</sup>*

1.17 Global therefore has an increased incentive to invest in a highly differentiated stable of radio brands [✂].

*Absent the merger, differentiation of radio stations would be unlikely to occur*

1.18 For the reasons set out above, absent the merger, Global and RSL would each have an incentive to continue to target the median listener rather than differentiate their stations.

1.19 [✂]

[✂]

1.20 [✂]

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<sup>10</sup> See OFT’s decision in *Global/GCap*, paragraph 165.

<sup>11</sup> See OFT’s decision in *Global/GCap*, paragraphs 173-174.

**2. The launch of an in depth, innovative Welsh news service, giving rise to greater choice of news for listeners in Wales**

Summary

- 2.1 Global has committed to Ofcom in relation to Real Radio Wales that it will introduce, for the first time, a daily 20 minute dedicated Welsh news programme on commercial radio, a dedicated Welsh political editor and a fully-fledged commercial radio Welsh news desk.
- 2.2 These changes will give listeners greater choice for in-depth Welsh coverage and increase the quality and innovation of Wales-specific radio journalism.
- 2.3 This commitment is conditional upon the merger being cleared on terms which allow Global to retain the entirety of both parties' licences in Wales.
- 2.4 Absent the full merger of RSL and Global's brands in Wales, the in-depth Welsh news services (including the dedicated peak time news programme and the dedicated political editor) will not be provided.
- 2.5 Divestment will result in the loss of this innovative new content and in the loss of choice of radio news in Wales.

Commitment to introduce in-depth, dedicated Welsh news services

- 2.6 Global's acquisition of RSL triggered an intervention by the Secretary of State for Culture, Media and Sport into the merger. Following the intervention, Global has committed to Ofcom in relation to Real Radio Wales that, conditional on the RSL and Global brands becoming fully merged in Wales, it will introduce, for the first time, a dedicated daily 20 minute Welsh news programme on commercial radio, a dedicated Welsh political editor and a fully-fledged commercial radio Welsh news desk. There is no other commercial radio station in Wales offering such in-depth, dedicated Welsh news coverage.
- 2.7 In particular, Global has committed to Ofcom in relation to Real Radio Wales that it will:
- (i) Introduce a new dedicated 20 minute evening news programme entitled 'The Way It Is In Wales' (working title) every weeknight [§<], "*focusing on news from around Wales, including coverage of the Welsh Assembly and matters in relation to which the Welsh Assembly has powers*".<sup>12</sup>
  - (ii) Appoint a dedicated Welsh political editor who "*must be principally based at the Welsh Assembly*".

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<sup>12</sup> The commitment refers to this news programme being broadcast "*each week day during daytime after 7am*". Global intends to broadcast the programme [§<].

- (iii) Ensure that news bulletins are “*under the overall editorial control of a dedicated News Editor not responsible for other stations in Wales*” - currently there is no dedicated news editor at RSL for Wales.
- (iv) Ensure that “*at least one news reporter [is] principally based within the North and Mid Wales licensed area*”.
- (v) Ensure that “[*n*]ews from across Wales (including coverage of the Welsh Assembly and matters in relation to which the Welsh Assembly has devolved powers) shall be an important ingredient” of Real Radio Wales’ service.<sup>13</sup>

2.8 These proposals are binding on Global should the merger be cleared on terms which allow Global to retain the entirety of both parties’ licences in Wales.

*Greater choice of dedicated in-depth local news coverage in Wales*

2.9 The BBC is currently the only radio operator in Wales to provide a dedicated Welsh news desk or in-depth Welsh news coverage on a scale equivalent to that proposed by Global to Ofcom. However, as set out in Table 2 below, Ofcom research shows that people in Wales are significantly more likely to rate politics or current affairs in their nation as being of personal interest, compared with people in England.<sup>14</sup>

**Table 2**  
**Ofcom Research: National Differences in Attitude to**  
**Politics and Current Affairs**

	Politics in Nation / Region		Current affairs in Nation / Region	
	Personal Importance	Societal importance	Personal Importance	Societal importance
England	23%	43%	35%	47%
Scotland	50%	52%	59%	58%
Wales	43%	51%	58%	52%
Northern Ireland	48%	29%	59%	30%

Source: *Kantar Media qualitative research study for Ofcom (Feb/March 2012); Base: All Adults 16+ in UK (2379).*

2.10 Diversity and quality of Welsh news coverage is especially important due to the existence of the Welsh Assembly. Ofcom noted in its report on the public interest test for the present merger that “*plurality is important for the health of devolved*

<sup>13</sup> See <http://stakeholders.ofcom.org.uk/broadcasting/radio/formats-content/changes/format-changes-2012>.

<sup>14</sup> See Ofcom’s Report on the public interest test on the acquisition of Guardian Media Group’s radio stations (Real and Smooth) by Global Radio, paragraph 5.25.

*democracy*".<sup>15</sup> Global's commitments for Welsh news on Real Radio Wales have political support from across the parties in the Welsh Assembly as they will create real competition with the BBC and no other commercial radio station offers this service.

- 2.11 Currently commercial radio stations are not an important source of local news in Wales. As can be seen from Table 3 below, while 8% of Welsh listeners use BBC local radio as a source of in-depth analysis of local news, only 2% use local commercial radio stations. Further, while 10% of Welsh listeners use BBC local radio as their main source for opinion and debate on local politics, only 1% use local commercial radio stations.

**Table 3**  
**Use of Radio for Local News and Current Affairs (Wales)**

	Local News		In-depth analysis of local news / current affairs		Opinion and debate on local politics	
	Regular Source	Main Source	Source	Regular Source	Main Source	Source
<b>BBC local radio</b>	14%	3%	8%	4%	10%	8%
<b>Local commercial radio stations</b>	12%	2%	2%	0%	1%	1%

Source: *YouGov Survey Results (August 2012).*

- 2.12 More generally, Ofcom has concluded that there are a comparatively low number of news media providers available to consumers in North Wales and the Cardiff area.<sup>16</sup>
- 2.13 Global's proposals to Ofcom will therefore provide an alternative to BBC local radio and increase the diversity of Welsh news coverage more generally.

*Higher quality and innovative Welsh news coverage*

- 2.14 The provision of the in-depth Welsh news services (including the dedicated 20 minute peak time news programme and the dedicated Welsh political editor) will significantly increase the quality of Real Radio Wales' news coverage.
- 2.15 There are currently no dedicated news and current affairs programmes on Real Radio Wales.<sup>17</sup>

<sup>15</sup> See Ofcom's Report on the public interest test, paragraph 1.34.

<sup>16</sup> See Ofcom's Report on the public interest test, paragraph 1.36.

<sup>17</sup> Special local 'features' are occasionally broadcast. However, in the one-year period from 24 June 2011 to 24 June 2012, only a single local feature "*Tribute to the Miners: The Day Welsh Hearts Were Broken*" lasting 20 minutes was broadcast on the station (excluding cross-network broadcasts), equivalent to substantially less than 0.1% of airtime during that year. This feature has already been discontinued.

- 2.16 Unlike BBC local radio, Real Radio Wales is not currently viewed as a key source of local news or current affairs by local citizens:
- (i) Only 7% of respondents in the YouGov survey (see Attachment 1) on local news and current affairs said they use Real Wales as a regular source of local news.
  - (ii) None of those surveyed said they use Real Wales as their main source of local news.
  - (iii) Less than 2% said they use Real Wales as a source of in-depth analysis of local news and current affairs, and less than 1% said they use Real Wales as a source of debate and opinion on local politics.
  - (iv) None of those surveyed said they use Real Wales as their main source of such content.
- 2.17 Global's proposals to Ofcom, however, would lead to the appointment of a dedicated news editor for Wales, a dedicated Welsh political editor based at the Welsh Assembly and a new dedicated 20 minute peak time in-depth local news programme, leading to a significant increase in the quality of Real Radio Wales' Welsh news programming.
- 2.18 Table 4 below contains an example agenda for 'The Way It Is In Wales' that was submitted by Global to Ofcom, illustrating its proposals for Real Radio Wales.



- 2.19 The Welsh newsroom will have a multi-platform approach to stories, offering local news content online, including images and video when relevant. Listeners will be encouraged to interact with the news programme using digital and social media. Online news pages would also cover major UK and world news, entertainment and sport.
- 2.20 Further, where relevant, the new Wales political editor and Welsh new team will be able to file Welsh originated stories to all of Global Radio's radio stations, thereby increasing the flow of news from Wales to UK-wide commercial radio audiences.

*The in-depth Welsh news services will be a result of the merger*

- 2.21 The introduction of the in-depth Welsh news services (including the dedicated peak time news programme and the dedicated Welsh political editor) is a direct result of the merger as Global's commitments to Ofcom are conditional upon the merger being cleared in Wales. Indeed, Global is only able to make these commitments because the acquisition results in it owning RSL's stations in Wales.

*Absent the merger, the in-depth Welsh news services will not be provided*

2.22 Absent this merger, the in-depth Welsh news services (including the peak time news programme and the dedicated Welsh political editor) would not be provided by the parties or a third party commercial radio station for the following reasons:

- (i) The regulatory requirements do not currently require this extensive and in-depth news coverage.
- (ii) Ofcom cannot independently impose these requirements on Real Radio Wales. Under a section 355 Communications Act 2003 review<sup>18</sup>, Ofcom can only impose requirements which the previous owner of the station would have been compliant with.<sup>19</sup> Since Real Radio Wales has never offered an in-depth Welsh news radio programme or had a dedicated Welsh political editor, Ofcom could not require a subsequent purchaser to provide them. Instead, Ofcom must rely on a licensee independently requesting a format change to bind itself to offering these services. For the reasons set out in the following sub-paragraph, absent this merger, this is highly unlikely to occur.
- (iii) There is no commercial incentive for the provision of in-depth, dedicated Welsh news services. Though there is a public interest in high-quality local news, other radio content remains more profitable. There are incremental costs involved in providing the editorial and journalistic resources necessary for a dedicated local news service, with no consequential increase in revenues.
- (iv) Absent this merger, RSL would have continued to reduce, rather than increase, the cost base of RSL's stations to maximise profitability. RSL is highly unlikely independently to have introduced dedicated Welsh news coverage on its stations, absent the merger.
- (v) No other likely owner of RSL would be likely to offer dedicated Welsh news commitments. Given that such a service will impose significant costs on RSL's stations in Wales with no increase in advertising revenue, it is highly unlikely that any other owner of RSL would be willing to offer such a service (in particular given RSL's poor financial performance in recent years).

2.23 The Commission has previously taken into account as a relevant customer benefit a service that is more likely to be provided as a result of the merger than otherwise.

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<sup>18</sup> When there is a change of control of a local sound broadcasting service, Ofcom must review the effects or likely effects of that change on: (a) the quality and range of programmes included in the service; (b) the character of the service (in particular the selection of spoken material and music); and (c) the extent to which Ofcom's duty to secure that programmes consisting of or including "local material" are included in the service to an appropriate extent is performed. If Ofcom considers that the change of control would be prejudicial to any of these matters, it must vary the licence accordingly.

<sup>19</sup> Section 356(4) Communications Act 2003.

- (i) In the Stagecoach Group plc / Preston Bus Limited merger inquiry (2009), the Commission accepted as a relevant customer benefit an integrated bus ticketing scheme that would be more likely to be offered post-merger. In its decision, the Commission stated:

*"we considered whether this benefit could be achieved by other means, in particular whether a statutory bus ticketing scheme could have been set up under the Local Transport Act 2000. We noted that LCC had actively pursued such a scheme in 2003 and had failed to reach an agreement with the operators involved in the negotiations. In particular, operators had disagreed on the way revenues from the ticketing scheme should be allocated. In light of this evidence, we considered that it would have been easier and therefore more likely that through-ticketing would emerge as a result of the merger than as a result of a statutory scheme."*<sup>20</sup>

- (ii) In the Stagecoach / Scottish Citylink merger inquiry (2006), the Commission similarly accepted a number of relevant customer benefits that were more likely to be offered as a result of the merger:

- (a) Spacing of bus services to avoid a clustered timetable: *"We considered it possible that timetable benefits could be achieved absent the joint venture ... However, recognize that timetable coordination is made easier to achieve by the joint venture because information flows are improved and transaction costs are decreased when the two operators are under common ownership"*.<sup>21</sup>
- (b) Integrated ticketing scheme: *"An interavailable ticketing scheme could have arisen absent the joint venture ... However, we recognised that the joint venture brought forward this benefit and made it significantly more likely to arise"*.<sup>22</sup>
- (c) Provision of cross-border links between English and Scottish bus services: *"We considered that cross-border links could have arisen independently absent the joint venture, and there would have been a commercial incentive on Scottish Citylink to schedule its services such that they connected to megabus services to English destinations ... However, the incentive for Scottish Citylink to feed into megabus services increases as a result of the joint venture, since Scottish Citylink*

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<sup>20</sup> See Commission's decision in Stagecoach Group plc / Preston Bus Limited, paragraph 10.157.

<sup>21</sup> See Annex O to the Commission's decision in Stagecoach and Scottish Citylink (2006), paragraphs 10-11.

<sup>22</sup> See Annex O to the Commission's decision in Stagecoach and Scottish Citylink (2006), paragraph 26.

*now takes into account the gross margin earned on the cross-border journey*".<sup>23</sup>

*Divestment of any station in Wales will result in the loss of the in-depth, dedicated Welsh news services*

- 2.24 Global's commitments to Ofcom for Wales are conditional upon:
- (i) the merger receiving clearance from the Commission "*on terms that allow it to hold all radio licences in Wales previously held by Global Radio Holdings Limited and GMG Radio Holdings Limited*"; and
  - (ii) no interim or other undertakings being in force "*the effect of which is to require any of the radio licences in Wales previously held by Global Radio Holdings Limited and GMG Radio Holdings Limited to be managed separately*".<sup>24</sup>
- 2.25 Any remedy package that results in divestments in Wales will therefore result in the loss of these customer benefits.

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<sup>23</sup> See Annex O to the Commission's decision in Stagecoach and Scottish Citylink (2006), paragraph 35.

<sup>24</sup> See <http://stakeholders.ofcom.org.uk/broadcasting/radio/formats-content/changes/format-changes-2012>.

### **3. The launch of an in depth, innovative Scottish news service, giving rise to a greater choice of news for listeners in Scotland**

#### Summary

- 3.1 Global has committed to Ofcom in relation to Real Radio Scotland that it will introduce, for the first time, a dedicated daily 20 minute Scottish news programme on commercial radio, a dedicated Scottish political editor and a fully-fledged commercial radio Scotland news desk.
- 3.2 These changes will give listeners greater choice for in-depth Scottish coverage and increase the quality and innovation of Scotland-specific radio journalism.
- 3.3 This commitment is conditional upon the merger being cleared on terms which allow Global to retain the entirety of both parties' licences in Scotland (with the exception of Real XS).
- 3.4 Absent the full merger of RSL and Global's brands in Scotland (with the exception of Real XS), the in-depth Scottish news services (including the dedicated peak time news programme and the dedicated political editor) will not be provided.
- 3.5 Divestment will result in the loss of this innovative new content and in the loss of choice of radio news in Scotland.

#### Commitment to introduce in-depth, dedicated Scottish news services

- 3.6 Global has also committed to Ofcom that, conditional on the RSL and Global brands becoming fully merged in Scotland (with the exception of Real XS), it will introduce, for the first time, a dedicated daily 20 minute Scottish news programme on commercial radio, a dedicated Scottish political editor and a fully-fledged commercial radio Scotland news desk. There is no other commercial radio station in Scotland offering such in-depth dedicated Scottish news coverage.
- 3.7 In particular, Global has committed to Ofcom in relation to Real Radio Scotland that it will:
- (i) Introduce a new dedicated 20 minute evening news programme entitled 'The Way It Is In Scotland' (working title) every weeknight [§<], "*focusing on news from around Scotland, including coverage of the Scottish Parliament and matters in relation to which the Scottish Parliament has powers*".<sup>25</sup>
  - (ii) Appoint a dedicated Scottish political editor who "*must be principally based at the Scottish Parliament*".

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<sup>25</sup> The commitment refers to this news programme being broadcast "*each week day during daytime after 7am*". Global intends to broadcast the programme [§<].

(iii) Ensure that “[n]ews from across Scotland (including coverage of the Scottish Parliament and matters in relation to which the Scottish Assembly has devolved powers) shall be an important ingredient” of Real Radio Scotland’s service.<sup>26</sup>

3.8 These proposals are binding on Global should the merger be cleared on terms which allow Global to retain both parties’ licences in Scotland (with the exception of Real XS).

Greater choice of dedicated in-depth local news coverage in Scotland

3.9 The BBC is currently the only radio operator in Scotland to provide in-depth Scottish news coverage on a scale equivalent to that proposed by Global to Ofcom. However, as set out in Table 2 above, Ofcom research shows that people in Scotland are significantly more likely to rate politics or current affairs in their nation as being of personal interest, compared with people in England. Such interest is likely to increase even further over the next two years due to the upcoming referendum on Scottish independence, Glasgow’s hosting of the 2014 Commonwealth Games and Gleneagles’ hosting of the 2014 Ryder Cup.

3.10 Further, as noted above, Ofcom believes that “*plurality is important for the health of devolved democracy.*”<sup>27</sup> Global’s commitments for Scottish news on Real Radio Scotland have political support from across the parties in the Scottish Parliament as they will create real competition with the BBC and no other commercial radio station offers this service.

3.11 However, for the reasons outlined in paragraph 2.22, currently commercial radio stations are not an important source of local news in Scotland. As can be seen from Table 5 below, while 18% of Scottish listeners use BBC local radio as a source of in-depth analysis of local news, only 4% use local commercial radio stations. Further, while 17% of Scottish listeners use BBC local radio as their main source for opinion and debate on local politics, only 4% use local commercial radio stations.

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<sup>26</sup> See <http://stakeholders.ofcom.org.uk/broadcasting/radio/formats-content/changes/format-changes-2013>.

<sup>27</sup> See Ofcom’s Report on the public interest test, paragraph 1.34.

**Table 4**  
**Use of Radio for Local News and Current Affairs (Scotland)**

	Local News		In-depth analysis of local news / current affairs		Opinion and debate on local politics	
	Regular Source	Main Source	Source	Regular Source	Main Source	Source
<b>BBC local radio</b>	22%	6%	18%	8%	17%	14%
<b>Local commercial radio stations</b>	15%	5%	4%	1%	4%	1%

Source: *YouGov Survey Results (August 2012).*

- 3.12 Global's proposals to Ofcom will therefore provide an alternative for radio listeners to BBC local radio and increase the diversity of Scottish news coverage more generally.

*Higher quality and innovative Scottish news coverage*

- 3.13 The provision of the in-depth Scottish news services (including the dedicated 20 minute peak time news programme and the dedicated Scottish political editor) will significantly increase the quality of Real Radio Scotland's news coverage.
- 3.14 There are no dedicated news and current affairs programmes on any of RSL's stations in Scotland.<sup>28</sup>
- 3.15 Unlike BBC local radio, RSL's stations in Scotland are not currently viewed as a key source of local news and current affairs by local citizens:
- (i) Only 11% of respondents in the YouGov survey on local news and current affairs said that they use RSL stations as a regular source of local news.
  - (ii) Only 2% said that they use RSL stations as their main source of local news.
  - (iii) Only 2% use RSL stations as a source of in-depth analysis of local news or local current affairs, the same proportion that use the stations as a source of debate and opinion on local politics.
  - (iv) Less than 1% of respondents said that they use RSL stations as their main source of in-depth analysis of local news and current affairs and none said they use RSL stations as their main source of opinion and debate on local politics.

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<sup>28</sup> Special local 'features' have occasionally been broadcast on Real (no such features are broadcast on Real XS and only features of UK-wide interest are broadcast on Smooth Glasgow as well as the rest of the Smooth network), however for the one-year period from June 2011 to June 2012 these features jointly accounted for less than one hour of airtime, or substantially less than 0.1%.

- 3.16 Global's proposals to Ofcom, however, would lead to the appointment of a dedicated Scottish political editor based at the Scottish Parliament and a new dedicated 20 minute peak time in-depth local news programme, leading to a significant increase in the quality of Real Radio Scotland's Scottish news programming.
- 3.17 The Scottish newsroom will have a multi-platform approach to stories, offering local news content online, including images and video when relevant. Listeners will be encouraged to interact with the news programme using digital and social media. Online news pages would also cover major UK and world news, entertainment and sport.
- 3.18 Further, where relevant, the new Scotland political editor and Scottish news team will be able to file Scottish originated stories to all of Global Radio's radio stations, thereby increasing the flow of news from Scotland to UK-wide commercial radio audiences. Given the upcoming referendum on Scottish independence, Glasgow's hosting of the 2014 Commonwealth Games and Gleneagles' hosting of the 2014 Ryder Cup, this is likely to be of particular relevance over the next two years.

*The in-depth Scottish news services will be a result of the merger*

- 3.19 The introduction of the in-depth Scottish news services (including the dedicated peak time news programme and the dedicated Scottish political editor) is a direct result of the merger as Global's commitments to Ofcom are conditional upon the merger being cleared in Scotland (with the exception of Real XS). Indeed, Global is only able to make these commitments because the acquisition results in it owning RSL's stations in Scotland.

*Absent the merger, the in-depth Scottish news services will not be provided*

- 3.20 Further, for the reasons set out above, absent this merger, the in-depth, dedicated Scottish news services would not likely be provided by any other owner of RSL's Scottish stations.

*Divestment of any station in Scotland (bar Real XS) will result in the loss of the in-depth, dedicated Scottish news services*

- 3.21 Global's commitments to Ofcom for Scotland are conditional upon:
- (i) The merger receiving clearance from the Commission "on terms that allow it to hold all radio licences in Scotland previously held by Global Radio Holdings Limited and GMG Radio Holdings Limited (other than Real XS)".
  - (ii) No interim or other undertakings being in force "the effect of which is to require any of the radio licences in Scotland previously held by Global Radio Holdings

*Limited and GMG Radio Holdings Limited (other than Real XS) to be managed separately*.<sup>29</sup>

- 3.22 Any remedy package that results in divestments in Scotland apart from Real XS will therefore result in the loss of these customer benefits.

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<sup>29</sup> See <http://stakeholders.ofcom.org.uk/broadcasting/radio/formats-content/changes/format-changes-2012>.

#### 4. Higher quality Real network

##### Summary

4.1 [REDACTED]

4.2 Listeners will benefit from better content, better presentation, better production, [REDACTED] and a more secure future for Real stations that are currently facing significant decline in their audiences.

4.3 [REDACTED]

4.4 [REDACTED]

4.5 Any divestment of a Real station will result in the loss of at least part of these benefits.

[REDACTED]

4.6 [REDACTED]

##### Better content

4.7 Listeners of the [REDACTED] Real stations will benefit from better quality programming [REDACTED] improved local content [REDACTED] and an improved radio experience (including better station “sounds” such as jingles and positioning messages). [REDACTED] Global will be able to invest in better quality content for listeners, as it has done since the Chrysalis/GCap merger.

##### Better presentation

4.8 [REDACTED]

##### Better production

4.9 [REDACTED]

[REDACTED]

4.10 [REDACTED]

[REDACTED]

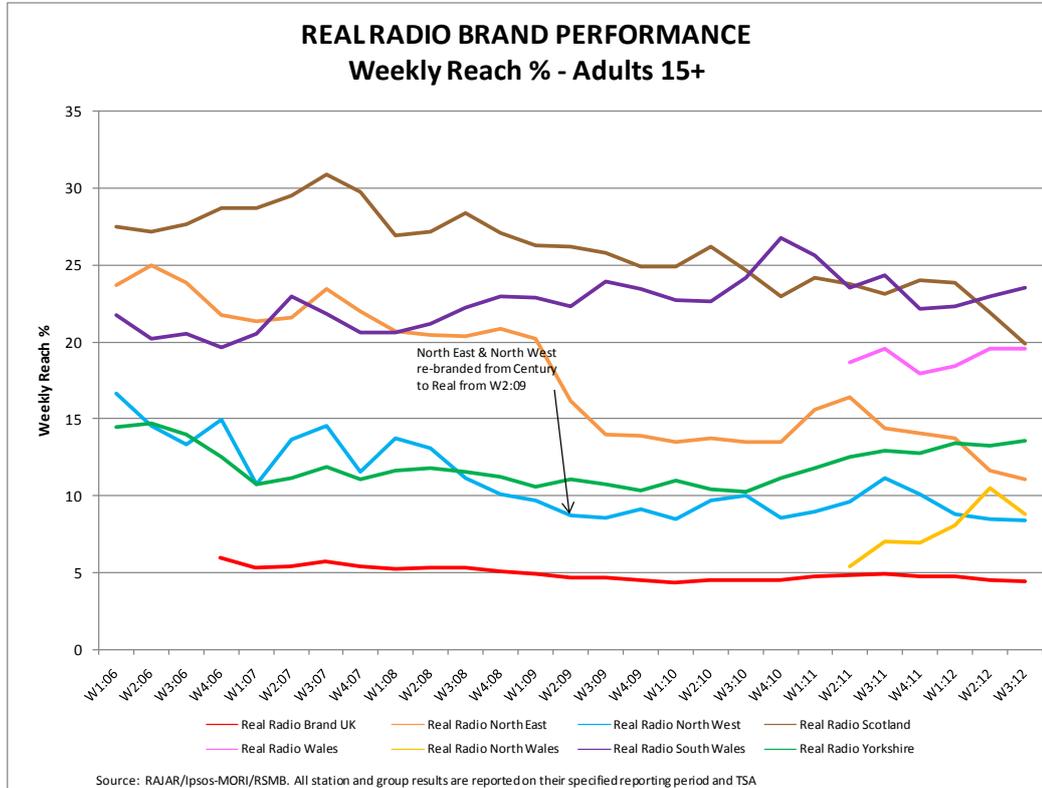
4.11 [REDACTED]

##### Securing a more stable future for Real's stations

4.12 Real's audience is in decline, just as GCap's stations were when Global acquired it in 2008. The Real network's reach has fallen by 7% to 2.6m over the last 4 years and continues to fall; with the decline being even more acute at individual station level (e.g.

Real North East's reach has fallen by 31%, Real North West's reach has fallen by 34%, and Real Scotland's reach has fallen by 11%).

**Figure 1**  
**Real Radio Brand Performance: Weekly Reach**



4.13 [✂]

4.14 The Commission has recognised that prior to the GCap merger, “the listening hours of most stations now owned by Global were declining relative to all commercial stations”.<sup>30</sup> In the four years prior to the GCap merger, listening hours on current Heart stations decreased 18.2% and reach by 4.2%.<sup>31</sup> Similarly, between Q1 2004 and Q1 2008, Capital suffered a loss of 778,000 listeners (a fall of 33%).

4.15 Subsequent to the GCap merger, Global invested heavily in the acquired stations.

<sup>30</sup> Annex P6 to the Provisional Findings, paragraph 9.

<sup>31</sup> RAJAR data, W3 2004 to W3 2008. The Heart network data includes Heart Cornwall, but excludes Gem 106 (which was sold to Orion in 2009 but continued to operate as Heart 106 until December 2010 and is included in the RAJAR definition of the Heart network).

- 4.16 Following the acquisition of GCap in 2008, Global invested significant sums in rebranding and repositioning its radio stations. Global invested a total of £[redacted] in marketing across its portfolio of stations in the four financial years ended 31 March 2012, the [redacted] of which was dedicated to the repositioning and rebranding of stations in the Heart and Capital networks. Of the total of £[redacted], £[redacted] was invested in the Heart network and £[redacted] in the Capital network.
- 4.17 Over the financial years 2008-2012, Global invested over £[redacted] in marketing Capital London. Actual marketing expenditure for Capital London increased by almost £[redacted] year-on-year (over [redacted]%) between 2008<sup>32</sup> and 2009<sup>33</sup> (i.e. following the GCap merger).
- 4.18 In particular, Global undertook a two-stage rebranding process:
- (i) Between 2008 and 2010, Global invested in repositioning GCap's 95.8 Capital FM in London. Global invested in refocusing the Capital playlist and programmes, hiring new presenters, hosting large concerts and launching an extensive television marketing campaign with the objective of aligning the station with its young audience.
  - (ii) In early 2011, following the success of the Capital repositioning in London, Global rebranded the Galaxy network and some One Network stations to form the Capital network. In advance of this (between 2008 and 2011), Global invested in ensuring that Galaxy delivered high-quality programming that was relevant and tailored to its young core demographic; and – upon rebranding – in a high-profile marketing campaign including city-specific television advertisements promoting the rebranded Capital stations.
- 4.19 In addition, the Heart and Capital stations (including Capital London) have benefitted from extensive shared investments designed to improve Global's station quality over the same 4 year period, including: [redacted]
- 4.20 Similarly, in relation to Heart, Global has invested significant sums in [redacted].
- 4.21 As acknowledged by the Commission, Global's [redacted] strategy has been highly successful in rejuvenating the Capital and Heart listener bases and stabilising the decline in their listeners:
- (i) Capital: The CC has recognised in its Provisional Findings that "*since the Global/GCap merger the performance on listening hours of Capital stations has been significantly better than that of other commercial radio stations, though we also note that [...] Capital's outperformance has reduced during 2012*".<sup>34</sup>

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<sup>32</sup> [redacted]

<sup>33</sup> [redacted]

<sup>34</sup> Annex P5 to the Provisional Findings, paragraph 11.

Though the Commission notes that the outperformance of the Capital stations pre-dated the 2011 Capital rebranding exercise, it was still subsequent to the 2008 repositioning of GCap's 95.8 Capital FM in London and the 2008 investment in Galaxy programming. The CC has also recognised that "*the reach of Capital stations increased substantially faster than that for all commercial stations*".<sup>35</sup> Under Global's ownership, the Capital network's has attracted 1.5m more listeners.<sup>36</sup>

- (ii) Heart: The CC has recognised in its Provisional Findings that "[r]elative to the total for all commercial stations, listening hours for Heart increased following the merger with GCAP, but in the last two years have fallen back"<sup>37</sup> and "*the reach of Heart stations also increased slightly faster than that for all commercial stations*".<sup>38</sup> Considering that in the four years prior to the GCap merger, Heart suffered a decline in its listening hours of 18.2% and a decline in its reach by 4.2% with some individual stations showing far greater decline, this represents a significant stabilisation of stations that were facing sizeable problems.

4.22 Global therefore has a proven track record of successfully arresting the decline of radio stations [✂]

4.23 [✂]

*The improvements to the Real network are a result of the merger*

4.24 [✂]

*Absent the merger any likely future owner of the Real network would not be able to provide listeners with the same scale of improvements to Real stations*

4.25 [✂] There is no other likely owner of RSL that is likely to invest as much in the Real stations as Global nor is there any other likely owner that has the equivalent track record of turning around declining commercial radio stations and securing them for their listeners.

*Divestment of any Real station will result in the loss of these potential improvements to the divested Real station*

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<sup>35</sup> Annex P9 to the Provisional Findings, paragraph 14.

<sup>36</sup> RAJAR, Q2 2008 – Q4 2012, total Capital UK reach has grown from 5.4m to 6.8m. This growth is based on a "like-for-like" comparison and therefore includes all stations currently in the Capital network even though they were not branded Capital in 2008, and also includes out of area listening to Capital on digital radio, online and digital TV.

<sup>37</sup> Annex P4 to the Provisional Findings, paragraph 9.

<sup>38</sup> Annex P9 to the Provisional Findings, paragraph 14.

- 4.26 Divestment of any Real station will result in the loss of these potential improvements to the divested Real station and the network as a whole. [✂]

## 5. Higher quality Smooth network

### Summary

- 5.1 [REDACTED]<sup>39</sup>
- 5.2 Listeners will benefit from better content, better presentation, better production, [REDACTED], [REDACTED] and greater choice for the older demographic.
- 5.3 [REDACTED]
- 5.4 [REDACTED]
- 5.5 Any divestment of a Smooth station will result in the loss of at least part of these benefits.

### [REDACTED]

- 5.6 [REDACTED]<sup>40</sup>

### Greater choice for older listeners

- 5.7 [REDACTED]
- 5.8 While both Smooth and Classic FM tend to attract older listeners, the very different content of the stations (Classic FM plays exclusively classical music whilst Smooth plays soulful and easy listening music) means they attract different audiences with very little overlap: only 8% of Classic FM's audience also listen to Smooth.
- 5.9 [REDACTED] Global can provide a high-quality [REDACTED] radio station specifically tailored to the tastes of an older audience. This has never existed before. It will be very different to Classic FM's defined specialist classical music offering.

### Better content

- 5.10 [REDACTED] Listeners of the [REDACTED] Smooth stations will benefit from better quality programming [REDACTED] and an improved radio experience (including better station "sounds" such as jingles and positioning messages). [REDACTED]
- 5.11 [REDACTED]

### Better presentation

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<sup>39</sup> [REDACTED]

<sup>40</sup> [REDACTED]

5.12 [REDACTED]

Better production

5.13 [REDACTED]

Better brand definition

5.14 Over the years the Smooth network has been through many iterations, and has never succeeded in clearly defining itself or its position in the marketplace. The [REDACTED] Smooth network will benefit from a totally new station sound, clearly positioning the station for the first time in its history.

5.15 [REDACTED]

5.16 Global's track record on Heart and Capital's re-launches, rebrands and marketing, make it the only commercial radio company that can achieve this with any degree of certainty.

5.17 [REDACTED]

[REDACTED]

5.18 [REDACTED]

Securing a stronger future for Smooth's stations

5.19 As set out in paragraphs 4.16 to 4.21 above, Global invested significant sums in rebranding and repositioning its radio stations following the acquisition of GCap in 2008. Global has a proven track record of successfully investing in its stations. Global's proposals [REDACTED] the Smooth network therefore are credible and likely to secure a more stable future for these stations, providing greater choice and higher quality for listeners.

The improvements to the Smooth network are a result of the merger

5.20 [REDACTED]

Absent the merger, any future owner of the Smooth network could not provide listeners with the same scale of improvements to the Smooth stations & brand

5.21 [REDACTED]

Divestment of any Smooth station will result in the loss of these potential improvements to the divested Smooth station

5.22 Divestment of any Smooth station will result in the loss of these potential improvements to the divested Smooth station and the new Smooth network as a whole. [REDACTED]