

RESPONSE TO COMPETITION COMMISSION'S PROVISIONAL FINDINGS REPORT

PART 1: GLOBAL'S PRINCIPAL COMMENTS

1. EXECUTIVE SUMMARY

- 1.1 The Competition Commission ("CC") published its Provisional Findings Report and the Appendices on 15 February 2013 ("PF" and "**Appendices**" or "**Appendix**").
- 1.2 Global agrees with the CC's provisional conclusions that the merger does not result, or may not be expected to result, in a substantial lessening of competition ("**SLC**") in:
- (i) the contracted advertising sector (including national S&P);¹
 - (ii) the non-contracted advertising sector (including local / regional S&P) in London and the West Midlands;²
 - (iii) the commercial radio sector in respect of branding effects;³ and
 - (iv) industry bodies and industry-wide selling arrangements.⁴
- 1.3 Global does not therefore comment further on these provisional conclusions in this Response.
- 1.4 Global disagrees with the CC's provisional conclusion that the merger does result, or may be expected to result, in a substantial lessening of competition in the non-contracted advertising sector (including local / regional S&P) in: East Midlands, Cardiff, North Wales, Greater Manchester, North East, South and West Yorkshire, and Central Scotland⁵ ("**seven regions**").
- 1.5 Global challenges this provisional conclusion in this Response, in the following sections:

¹ PF, para. 16.

² PF, para. 15.

³ PF, para. 17.

⁴ PF, para. 18.

⁵ PF, para. 15.

Part 1: Global's Principal Comments

1.6 The CC's theory of harm is that:⁶

- (i) Although the CC implicitly acknowledges that Global and RSL are not each other's closest competitors, the CC provisionally concludes that "some" non-contracted advertisers consider the parties' stations to be the "next best alternatives" to each other. The CC estimates that such advertisers account for 9% to 11% of non-contracted advertisers.⁷
- (ii) Post merger, those particular non-contracted advertisers may face higher prices, despite the fact that Global will not be able to identify them, as according to the CC the strength of their outside options will be reduced during negotiations.
- (iii) Based on the CC'S price concentration analysis ("PCA") results - which are claimed to demonstrate that non-contracted advertisers generally face higher prices in areas with relatively weak radio alternatives – a substantial lessening of competition is provisionally identified in areas where the number of radio alternatives is reduced from 3 to 2 or 2 to 1.

1.7 Global disagrees with this for the following reasons.

A. The parties' stations are not closest competitors meaning that the next best alternative of the vast majority of non-contracted advertisers will remain unchanged

1.8 For the reasons given in Section 2 below, Global agrees with the CC's provisional conclusion that only a small proportion of non-contracted advertisers – i.e. 9% to 11% on average across the overlap areas - view the parties' stations as next best alternatives and therefore the parties' stations are not the closest competitive alternatives for the majority – i.e. 89% to 91% on average across the overlap areas – of non-contracted advertisers. Therefore, the next best alternatives available to the majority of non-contracted advertisers are unaffected by the proposed merger.

1.9 Moreover, even those advertisers who do view the parties' stations as close alternatives will continue to have effective alternatives going forward (including other radio stations and non-radio media) i.e. their outside alternatives are unlikely to be diminished substantially by the merger. In particular:

⁶ PF, Section 6.

⁷ PF, para. 6.77, absent any exacerbating local / regional factors, "we estimate the proportion of respondents' non-contracted revenue, accounted for by customers with one of the other party's stations as their closest alternative, to be between 9 and 11 per cent". By implication some other alternative – including non-radio media and other radio stations – is the next best alternative for around 9%-11% of advertisers meaning that the parties cannot be considered to be one another's closest competitors across the overlap regions.

- (i) 94% of existing customers that identified the parties' stations as next best alternatives stated that non-radio media could meet the same campaign objectives as radio.
- (ii) 80% of those existing customers considered non-radio media for the campaign for which they used the parties' stations.

1.10 The CC has therefore significantly overstated the impact of the transaction on advertisers' outside alternatives by not taking proper account of this evidence in its provisional conclusion.

B. The theory that advertisers with reduced outside options will inevitably pay higher prices is incorrect

1.11 For the reasons given in Section 3 below, the notion that advertisers who view the parties' stations as close alternatives will inevitably pay higher prices (whilst other advertisers' prices remain unchanged) does not take account of a range of relevant characteristics of the radio industry. Critical to the CC's theory of harm is that any change in an advertiser's outside options inevitably leads to a change in the outcome of pricing negotiations. However, this is incorrect. In particular:

- (i) As the CC accepts, Global cannot reliably identify advertisers whom the CC asserts would have weak alternatives as a result of the merger.
- (ii) There is no reason to presume that information on advertisers' outside options would be revealed during the negotiating process – advertisers can use a range of negotiating tactics to hide their outside options and maintain competition in negotiations.
- (iii) As Global cannot reliably identify those advertisers, whom the CC asserts would have weaker alternatives during negotiations, it cannot treat them differently (i.e. by offering lower discounts or pitching more expensive campaigns). It is therefore incorrect to assume that advertisers' outside alternatives will mechanistically determine the outcome of pricing negotiations.

1.12 Noting these deficiencies in the CC's theory of harm, Global urges the CC to focus its analysis on the standard merger assessment question of whether Global has the incentive to increase the price on its stations by a small but significant amount on average across all customers. Such an assessment must take account of the critical question of whether the parties are each other's closest competitors or whether they instead compete more closely with non-radio media. As the CC has already accepted that the parties are not closest competitors, the logical conclusion is that no finding of a substantial lessening of competition in the non-contracted advertising sector is warranted.

C. The scale of any reduction in competition is extremely limited even on the CC's own terms

1.13 Section 4 below notes that even if the CC's theory of harm were correct (which Global disputes), the scale of any reduction in competition would be expected to be extremely small and insufficient to warrant a conclusion that a substantial lessening of competition is likely to occur in the non-contracted advertising sector. In particular:

- (i) The theory of harm is limited only to those advertisers whose outside options are changed (i.e. the 9%-11% of advertisers identified by the CC) and who do not have other equally effective outside alternatives – i.e. a very small number of advertisers based on the analysis above.
- (ii) The scale of the effect even for these advertisers is small – it reflects the difference between their “next best” and “second best” alternatives.

1.14 In light of this, Global urges the CC to reconsider its provisional conclusion that a substantial lessening of competition will, or is likely, to arise in the non-contracted advertising sector in the seven regions.

D. Non-contracted advertisers will continue to have effective outside options at the local level meaning that a reduction in the number of radio competitors will not result in higher prices

1.15 Finally, Section 5 responds to the CC's region by region analysis, further detailed in Annexes 1 to 7, the “**Regional Annexes**”. Despite accepting that for the majority of non-contracted advertisers, non-radio media represents the most effective alternative to the parties' stations, the CC's assessment fails to take into account such competitive constraints. That approach is premised on the findings of the CC's PCA, which are claimed to demonstrate that advertisers pay higher average prices for radio advertising where there are fewer radio alternatives. However, as discussed in Annex 8, the “**PCA Response**”⁸, those results are not robust. In particular, as further detailed in the PCA Response, which summarises the results presented to the CC on 22 February 2013:

- (i) When data points which the CC agrees are anomalies are removed, the PCA model shows no robust relationship between price and radio concentration.
- (ii) When further robustness checks advocated by the CC are undertaken, the PCA consistently shows no robust relationship between price and radio concentration.
- (iii) When an alternative (and preferred) model specification is employed, no robust relationship between price and radio concentration is observed.

⁸ RBB, *Further response to the CC's Price Concentration Analysis dated 7 March 2013* and Dr J.M.C. Santos Silva, *Notes on the use of the fixed effects estimator in the price concentration analysis*.

(iv) Global notes that all code and data used to produce these results has been submitted to the CC following the staff level meeting. The CC has also confirmed that it can replicate these results in full. It is therefore clear on the basis of the CC's own analysis that the PCA results are not robust.

1.16 On this basis Global urges the CC to undertake a full regional assessment taking account of non-radio media competition, which it implicitly accepts is the most important competitive alternative to the parties' stations. Global submits that such a regional analysis would demonstrate that advertisers will continue to have a range of effective alternatives post merger including non-radio media and other radio stations which compete with the parties more closely and therefore Global has no incentive to increase average prices at its stations – i.e. no finding of a substantial lessening of competition in the non-contracted advertising sector is warranted.

1.17 In summary, the CC's provisional conclusion that a substantial lessening of competition is likely to arise in the non-contracted advertising sector in the seven regions is based on analysis which, on closer inspection, is incorrect. Global therefore urges the CC to reconsider its provisional conclusion.

Part 2: Global's Detailed Comments

1.18 Global rebuts specific paragraphs in the PF and challenges the CC's provisional conclusion that a substantial lessening of competition is likely to arise in the non-contracted advertising sector in the seven regions.

Annexes 1 to 7: Regional Annexes

1.19 Global explains why the merger is not likely to give rise to a substantial lessening of competition for non-contracted advertisers in each of the seven regions based on extensive evidence.

Annex 8: PCA Response

1.20 RBB explains why the PCA is not a robust analysis and should not be relied upon to conclude that a substantial lessening of competition is likely to arise in the non-contracted advertising sector in the seven regions. This was also covered in detail at a meeting between the CC and RBB on 22 February 2013.

2. THE PARTIES' STATIONS ARE NOT CLOSEST COMPETITORS MEANING THAT THE NEXT BEST ALTERNATIVE OF MOST NON-CONTRACTED ADVERTISERS WILL REMAIN UNCHANGED

2.1 The CC implicitly accepts in its analysis that the vast majority of non-contracted advertisers do not consider the parties' stations to be the next best alternatives to each other. Therefore, the next best alternatives available to the vast majority of non-contracted advertisers during negotiations are unaffected by the proposed merger.

2.2 Moreover, even those non-contracted advertisers that do view the parties' stations as close alternatives will continue to have effective alternatives going forward.

A. The CC accepts that the vast majority of non-contracted advertisers do not consider the parties' stations to be each other's next best alternatives

2.3 The CC states:

***"The parties' stations are next best alternatives to each other for some customers⁹...We estimate the proportion of respondents' non-contracted revenue, accounted for by customers with one of the other party's stations as their closest alternative, to be between 9 and 11 per cent"*¹⁰(emphasis added).**

2.4 In other words, on average, a small proportion of the parties' non-contracted customers view the parties' stations to be each other's next best alternatives. The CC calculates this proportion to be 9% to 11%. Therefore, on the CC's own analysis, it is clear that for the vast majority of non-contracted advertisers, the parties are not the closest competitive alternatives in the seven regions. By inference, the next best alternatives of these non-contracted advertisers must be non-radio media or other radio stations.

2.5 The CC states:

"Other media may be bought as a complement to radio or as a substitute for it."

"The survey results suggest limits to the competitive constraint provided by other media...15 per cent of existing customers did not consider using any other media at the time of their last campaign...24 per cent said that they ended up using only radio...9 per cent of respondents said that they could not use any other types of media to meet the same objectives as radio".¹¹

⁹ PF, para. 7.6.

¹⁰ PF, para. 6.77, absent any exacerbating local / regional factors.

¹¹ PF, para. 6.39.

“The survey results also suggest that it is unlikely that radio advertising and advertising on other media are in all cases substitutes or in all cases complementary...24 per cent of existing customers would have switched at least partly to other radio if the parties’ stations had not been available at the time they planned their last campaign...34 per cent of respondents who turned down a proposal from Global used other radio in the campaign.”¹²

- 2.6 In other words, at least 75%, and possibly as high as 90%, of non-contracted advertisers consider non-radio media as effective competitive constraints on radio (i.e. in most cases non-radio media is an effective alternative for advertisers) i.e. the merger does not affect the next best outside option available to the vast majority of non-contracted advertisers.
- 2.7 Moreover, by accepting that the Existing Customers Survey demonstrates that 24% of the parties’ non-contracted customers would have switched some or all of their expenditure to radio alternatives, the CC must also accept that 39% would have switched some or all of their spend to non-radio media i.e. those other media alternatives compete more closely with Global than other radio stations.
- 2.8 As a result, the CC recognises that the merger will not reduce the next best alternatives for most non-contracted advertisers in the overlap areas, as they (i) do not consider the parties’ stations to be each other’s next best alternatives; and (ii) in any case, view non-radio media as effective alternatives for radio. The CC should therefore expressly conclude this in respect of the seven regions.

B. Even those advertisers that do view the parties’ stations to be close alternatives will continue to have effective alternatives post merger

- 2.9 The CC has provisionally assumed that the small number of non-contracted advertisers that do view the parties’ stations as “next best alternatives” will not continue to have equally effective alternatives as a result of the merger i.e. the merger will substantially reduce their outside options during negotiations. However, this assumption is incorrect when the available data is fully analysed.
- 2.10 The CC has relied upon the Existing Customers Survey to identify the proportion of non-contracted advertisers that consider the parties’ stations to be close alternatives (see paragraph 2.3 above). However, a fuller, extended analysis of that evidence demonstrates that these non-contracted advertisers will continue to have effective alternatives after the merger. Specifically, as explained in Table 1 below, of those existing non-contracted customers identified by the CC (to whom the CC’s theory of harm is limited):

- (i) 100% had used non-radio media during 2011 - none had only used radio.

¹² PF, para. 6.40.

- (ii) 94% stated that non-radio media could meet the same campaign objectives as radio.
- (iii) 80% considered non-radio media for the campaign for which they used the parties' stations.

Table 1
Further analysis of existing customer responses who selected a radio station owned by the other party as their next best alternative

	Press	Social media	Posters and outdoor	Direct mail	Television	Search engines	Only radio
Used in 2011	86%	74%	70%	54%	26%	60%	0%
Meets same objectives as radio	64%	58%	50%	44%	58%	36%	6%
Considered for the same campaign	62%	44%	44%	24%	18%	32%	20%

Source: *RBB analysis of Existing Customers Survey (Base: 50 respondents selecting a radio station of the other party in answer to either question 11.b(ii) or 11.c(ii)).*

3. THE THEORY THAT THE SMALL NUMBER OF ADVERTISERS WITH ALTERED OUTSIDE OPTIONS WILL INEVITABLY PAY HIGHER PRICES IS INCORRECT

- 3.1 Given that the CC accepts that most non-contracted advertisers' outside alternatives will not be affected by the merger (i.e. the parties are not each other's closest competitors), the CC's theory of harm is that the small number of non-contracted advertisers that do view the parties' stations as providing the next best alternatives (and do not have other equally effective alternatives) will, post merger, inevitably face price increases i.e. Global will be able to increase prices for these advertisers whilst holding prices constant for other advertisers. The CC's (unsubstantiated) claim is that, despite not being able to identify these particular advertisers, any change in an advertiser's outside options will inevitably lead to a worse outcome in the pricing negotiation process.
- 3.2 The CC's theory of harm is, on close inspection, wrong and should be reconsidered before a final conclusion is reached. For the reasons set out in this Section 3:
- (i) As the CC accepts, Global cannot reliably identify advertisers whom the CC asserts would have weak alternatives as a result of the merger.
 - (ii) There is no reason to presume that information on advertisers' outside options would be revealed during the negotiating process – advertisers can use a range of negotiating tactics to hide their outside options and maintain competition in negotiations.
 - (iii) As Global cannot reliably identify those advertisers, whom the CC asserts would have weak alternatives during negotiations, it cannot treat them differently (i.e. by offering lower discounts or pitching more expensive campaigns). It is therefore incorrect to assume that advertisers' outside alternatives will mechanistically determine the outcome of pricing negotiations.
- 3.3 Noting these deficiencies in the CC's theory of harm, Global urges the CC to focus its analysis on the standard merger assessment question of whether Global has the incentive to increase the price on its stations by a small but significant amount on average across all customers. Such an assessment must take account of the critical question of whether the parties are each other's closest competitors or whether they instead compete more closely with non-radio media. As the CC has already accepted that the parties are not close competitors for the majority of non-contracted advertisers, the logical conclusion is that no finding of a substantial lessening of competition in the non-contracted advertising sector is warranted.

A. Radio stations do not know and cannot infer the alternatives of each advertiser

3.4 The CC “***accepts that the nature of the negotiating framework and the lack of published price lists mean that full visibility of an advertiser’s alternatives is unlikely***”.¹³

3.5 However, the CC claims that “***there is some evidence that in some cases, radio stations will be aware of the other options being considered by advertisers and their relative strength***”.¹⁴ (emphasis added). On close inspection, the CC has no such evidence:

(i) The CC misinterprets Orion’s observation that: “***potential advertisers would often be talking to other media owners at the same time and that it was therefore important that its pricing was similar to that of competitors***”.¹⁵ Orion’s statement supports a conclusion that radio stations must price competitively against a wide range of non-radio media. However, it does not follow that radio stations would know the alternatives (and their relative strength and prices) of those potential advertisers.

(ii) The CC misinterprets Bauer’s observation that: “***in circumstances where another commercial radio station was offering a lower price it would be necessary for it to consider whether a more competitive price was appropriate***”.¹⁶ Bauer’s statement suggests that advertisers may inform radio stations about alternative competitive proposals as a bargaining tool within negotiations to obtain a more competitive offer (i.e. when it serves the advertisers’ interests). However, it does not follow that radio stations would have reliable information about the alternatives (and their relative strength and prices) of those advertisers.

3.6 Furthermore, for the reasons discussed below, the CC’s theory of harm relies on radio stations knowing with precision an advertiser’s alternatives, not merely having “some” knowledge. Simply being “aware” of an advertiser’s alternatives is insufficient.

B. The outside options of advertisers are not revealed during the bargaining process and do not therefore directly affect price negotiations

3.7 The CC claims that Global would not necessarily need to know the outside options of advertisers to raise prices. This is based on the theory that this information would be revealed to Global during the negotiating process i.e. Global would gain sufficient

¹³ PF, para. 6.93.

¹⁴ PF, para. 6.93.

¹⁵ PF, para. 6.91.

¹⁶ PF, para. 6.91.

information on advertisers' outside alternatives to confidently identify advertisers whose outside options were weak and with whom it could therefore take a more robust position on pricing during negotiations (i.e. by pitching higher priced campaigns or refusing requests for further discounts).

3.8 However, this hypothesis is unsubstantiated and fails to take into account features of the negotiation process in practice. Contrary to the CC's observations, Global does not learn about an advertiser's alternatives (and their relative strength and prices) with any certainty during the negotiation process, thereby undermining its ability to treat these advertisers differently. In particular:

- (i) It is implausible to consider that advertisers with weaker outside options would act differently during negotiations. Advertisers are able to employ various negotiating tactics to ensure competitive prices; in particular, threats to switch to other media and bluffs (i.e. claiming that they have received better offers).¹⁷ Advertisers with weak alternatives would not behave any differently to those with effective alternatives (i.e. they would continue to employ these various negotiating tactics to obtain the most competitively priced proposal). In particular, those advertisers would clearly not inform Global that they had weaker alternatives as it is not in their interests to do so. As advertisers will not reveal the fact that their alternatives are weak during negotiations,¹⁸ Global cannot during negotiations identify those advertisers with weak alternatives.
- (ii) Similarly, bargaining – the process of submitting bids and / or improved terms to advertisers in negotiations – does not reveal an advertiser's alternatives (or the fact that those alternatives are weak) as advertisers do not have to provide any information to Global about their willingness to pay for airtime. Global's bargaining process does not therefore enable it to know whether an advertiser has weak alternatives.¹⁹
- (iii) It is irrelevant that Global has a dedicated sales team who interact with advertisers.²⁰ Its sales team's primary purpose is to identify and attract potential new advertisers to radio and to structure campaigns that are bespoke and effective for any given advertiser. However, it does not follow that an advertiser's alternatives (or their relative strength and prices) would be revealed to this sales team. Given the high level of churn in each of the seven regions, [X] – few are persistent customers. There is no basis for considering that Global's sales teams could be certain of advertisers' outside options via their continued interaction with those clients.

¹⁷ PF, paras. 6.91 and 6.93.

¹⁸ PF, para. 6.93.

¹⁹ PF, para. 6.93.

²⁰ PF, paras. 6.95-6.97.

3.9 The core assumptions underpinning the CC's theory of harm are therefore incorrect.

C. The CC has not taken into account a number of practical factors which break the link between advertisers' outside options and prices

3.10 The CC recognises that "*the alternatives available to a customer...are not the only factors affecting the outcome of negotiations over the price...Price is also likely to be affected by the importance of the advertiser or agency to the seller and the negotiating skills each party to the negotiations deploys over time*".²¹

3.11 Global agrees with this. An advertiser's ability to employ various bargaining tools, such as bluffs and threats to use alternative media, will strongly affect the outcome of negotiations and (as discussed above) advertisers can continue to employ these tools to achieve competitive prices even if they have slightly weaker outside alternatives.

3.12 However, the CC has failed to recognise that this means that an advertiser's alternatives will not necessarily and mechanistically impact the outcome of negotiations. Instead, that outcome will be determined to a greater extent by an advertiser's use of such bargaining tools, as well as other aspects of the negotiation process in practice; specifically:

- (i) Negotiating skills: As recognised the CC in paragraph 3.10 above (and discussed in paragraph 3.8 above).
- (ii) Uncertainty: The advertising market is characterised by a considerable amount of uncertainty as to the actual strength of outside options. In particular, the strength of those alternatives will ultimately be a function of the advertisers' judgement regarding which alternative will offer a better rate of return for a campaign. Even if Global could identify an advertiser's next best alternative, it would be very unlikely in these circumstances to know the point at which that next best alternative becomes attractive i.e. the uncertainty as to where the negotiated outcome falls relative to the advertiser's "walk away" point. Such uncertainty, will therefore significantly reduce the impact of the strength of an advertiser's outside options on negotiations - if Global is more uncertain about an advertiser's alternatives, it will be less inclined to pitch higher prices (particularly as doing so in the wrong circumstances would be very costly).
- (iii) Heterogeneity: As advertising campaigns are heterogeneous, an advertiser's next best alternative may vary according to a particular campaign. Therefore, Global's knowledge of the outcome of a previous negotiation would not necessarily provide an effective indicator about the outcome of the next negotiation with the same advertiser. Again, such heterogeneity will significantly impact the outcome of negotiations as it will add to the level of uncertainty that

²¹ PF, para. 6.98.

Global has regarding the possible alternatives that an advertiser may have for a particular campaign - this will disincentivise Global from taking the risk of introducing targeted price increase and diminishing the relationship between an advertiser's outside options for a particular campaign and prices.

- 3.13 Therefore, any unobserved changes to an advertiser's next best alternative cannot be presumed to automatically affect the outcome of negotiations, as the next best alternative is not, as the CC acknowledges, the sole determinant in the negotiation process in practice. As a result, the CC's theory of harm – which relies on the assumption that the strength of an advertiser's alternatives is the primary determinant of the outcome of pricing negotiations – is undermined.

The risks associated with losing business reduce Global's incentive to treat some customers differently during negotiations

- 3.14 The risks of treating some advertisers differently (i.e. by taking a more robust stance on pricing and discounts) during negotiations absent precise knowledge of those advertisers' outside alternatives is significant as it may result in the loss of profitable business. This reduces Global's incentive to act in this way. In particular:

- (i) Potential losses from losing advertisers to other alternatives: Global operates a business model where it sells perishable inventory that has a very low marginal cost. Absent certainty of the options open to advertisers, any attempt to increase prices to advertisers carries significant risks for Global - i.e. it may lose a potential sale with the effect that some of its perishable inventory would be left unsold. This diminishes the incentive for Global to push for higher prices in situations where it is not absolutely confident of advertisers' outside options and diminishes the effect they would be expected to have on price negotiations.
- (ii) Churn: The high churn rates faced by Global and RSL expose Global to significant risks of losing business. Global would be highly unlikely to pursue a pricing strategy that increased churn for the reasons discussed above. This is again likely to diminish Global's willingness to push for higher prices absent certainty on advertisers' outside alternatives – diminishing the effect that they will have on price negotiations.

- 3.15 In summary, the issues described above together imply that the CC's theory of harm is incorrect - changes in outside options will not inevitably determine the outcomes of pricing negotiations. It is therefore very unlikely that (potentially small) changes to the outside options of a set of advertisers will inevitably result in them paying higher prices.

4. THE SCALE OF THE SUBSTANTIAL LESSENING OF COMPETITION (IF ANY) IS EXTREMELY LIMITED EVEN ON THE CC'S OWN TERMS

4.1 Even if the CC's provisional conclusions were correct in claiming that only a small proportion of non-contracted advertisers would be adversely affected by the merger (which they are not), the CC has failed to address what the likely magnitude of the adverse effect is.

4.2 As a result, the CC does not recognise that the likely magnitude of any adverse effect arising from the merger is extremely limited (or non-existent), even in respect of the small proportion of non-contracted advertisers who view the parties' stations as next best alternatives. In particular:

- (i) Assuming (as the CC has incorrectly claimed) that advertisers' next best alternatives determine the outcome of negotiations, the likely magnitude of any adverse effect will depend critically on how effective that advertiser's second best alternative is.
- (ii) If an advertiser's second best alternative is almost or equally as effective as the first best alternative, there will be little or no impact on the negotiation process (i.e. that advertiser's bargaining power will not have changed).
- (iii) The CC has not tested whether this small proportion of non-contracted advertisers will continue to have an effective second best (or other) alternative following the merger (i.e. an equally effective alternative).
- (iv) Nevertheless, for the reasons above, the available evidence strongly suggests that this small proportion of non-contracted advertisers (along with the rest of the non-contracted advertisers) will continue to have equally (or more) effective alternatives after the merger; specifically, third party radio stations and / or non-radio media – this is true in the seven regions.

4.3 By failing to take account of these issues, the CC's conclusion that a substantial lessening of competition is likely to arise in the non-contracted advertising sector in the seven regions is unjustified. Even if a small number of non-contracted advertisers are affected, that impact is likely to be marginal. Therefore, the theory of harm articulated by the CC does not constitute a substantial lessening of competition.

5. NON-CONTRACTED ADVERTISERS WILL CONTINUE TO HAVE EFFECTIVE ALTERNATIVES AT THE LOCAL LEVEL MEANING THAT A REDUCTION IN THE NUMBER OF RADIO COMPETITORS WILL NOT RESULT IN HIGHER PRICES

5.1 The CC's regional analysis identifies a substantial lessening of competition in the non-contracted advertising sector in areas where the number of radio competitors is reduced from 3 to 2 or 2 to 1. In doing so, the CC does not assess competition from outside the radio segment, despite implicitly accepting that many advertisers view non-radio media as an effective alternative to radio advertising.

5.2 This approach is premised on the CC's PCA. In particular:

(i) The CC claims that the PCA demonstrates that advertisers currently pay on average higher prices for radio advertising where there are fewer strong radio alternatives (i.e. that the number of radio alternatives is a significant driver of radio prices).²² This is used to justify the CC's regional competitive assessment which focuses solely on the reduction in the number of effective radio alternatives (i.e. excluding non-radio media alternatives). Absent these results the CC would have no justification for this approach given that it accepts that the majority of advertisers do not view the parties as close competitors and consider non-radio media as an effective alternative.

(ii) The CC claims that the PCA demonstrates that the number of campaigns which are not easily substitutable for other media is "significant" and therefore that a reduction in the number of strong radio alternatives would lead to a substantial lessening of competition (i.e. satisfying its legal test).²³ Absent this evidence, the CC would have no justification for claiming that the reduction in competition arising from the merger would be substantial, particularly as it has accepted that a small proportion of advertisers (i.e. 9%-11%) on average would have their outside options affected.

5.3 As discussed below, the CC's PCA results are not robust. Therefore, there is no sound basis for claiming that a reduction in the number of radio alternatives will result in a substantial lessening of competition.

5.4 On this basis, Global urges the CC to undertake a full regional assessment taking account of non-radio media competition, which it implicitly accepts is the most important competitive alternative to the parties' stations. Global submits that such a regional analysis would demonstrate that advertisers will continue to have a range of effective alternatives post merger including non-radio media and other radio stations which compete with the parties more closely and therefore Global would have no incentive to

²² PF, para. 7.8.

²³ PF, para. 6.109(a).

raise its prices to non-contracted advertisers – i.e. no finding of a substantial lessening of competition in the non-contracted advertising sector is warranted.

A. The CC’s PCA is the only evidence used to support its regional analysis and it is not robust

5.5 The CC makes clear in its regional assessment that its fascia count methodology – which focuses solely on radio alternatives and identifies SLCs in areas where the number of radio competitors is reduced from 3 to 2 or 2 to 1 - is underpinned by its PCA results.²⁴ Those PCA results in particular form the basis of the claim that advertisers face higher prices on average in areas with fewer “strong” radio alternatives and therefore a reduction in the number of radio alternatives will inevitably lead to higher prices in general for non-contracted advertisers – i.e. to an SLC.

5.6 As further detailed in the PCA Response, which summarises the results presented to the CC on 22 February 2013, the PCA cannot be considered to be robust in any way. Specifically:

- (i) When data points which the CC agrees are anomalies are removed, the PCA model shows no robust relationship between price and radio concentration.
- (ii) When further robustness checks advocated by the CC are undertaken, the PCA consistently shows no robust relationship between price and radio concentration.
- (iii) When an alternative (and preferred) model specification is employed, no robust relationship between price and radio concentration is observed.
- (iv) Global notes that all code and data used to produce these results has been submitted to the CC following the staff level meeting. The CC has also confirmed that it can replicate these results in full. It is therefore clear on the basis of the CC’s own analysis that the PCA results are not robust.

5.7 As such, there is no basis for (i) the CC’s claim that advertisers face higher prices in areas with fewer radio competitors or (ii) the CC’s regional competitive assessment, which focuses only on the strength of competition within the radio segment.

B. The CC has not taken into account event studies which demonstrate that advertisers do not face higher prices where there are fewer radio alternatives

5.8 The CC has not taken into account critical event study evidence that clearly demonstrates that prices are not driven by the number of radio competitors. In particular:

²⁴ See further Annex 8 – PCA Response.

- (i) The parties provided an event study assessing the impact of Real Radio's entry into North Wales over an 18-month period ("**North Wales Event Study**") – a very long period in the context of such an assessment.
- (ii) The North Wales Event Study demonstrates that Real's entry – which increased the number of radio alternatives from 1 to 2 – had [X] on Global's prices or revenues. This therefore contradicts the assertion that the number of radio alternatives determines prices for non-contracted advertisers. The CC does not dispute this finding.

5.9 The CC's reasons for dismissing this event analysis – i.e. that "**Real's entry was recent and we have been told that it takes time for competition from a new entrant to build up listener share and advertising revenue**" – are, on inspection, based on a misconception.

- (i) The parties provided an event study covering an 18-month period, giving ample time to assess the effect of entry.
- (ii) The CC's own PCA assesses the impact of quarterly variations in concentration on price – it would be contradictory therefore to suggest that the "lag" between changes in concentration and changes in price is more than two years long.

5.10 Global therefore urges the CC to recognise that this evidence indicates that changes in the number of radio competitors from 1 to 2 do not impact pricing. By inference, it is also very likely to be true that a move from 3 to 2 radio competitors would be unlikely to affect radio pricing.

C. A regional analysis confirms that advertisers will have effective radio alternatives and that third party stations are closer competitors to the parties - no SLC can be expected

5.11 As noted in Section 3, the relevant question for the assessment of this merger is whether Global has the incentive to increase the price on its stations by a small but significant amount on average across all customers. Such an assessment must take account of the critical question of whether the parties are each other's closest competitors or whether they instead compete more closely with non-radio media. As the CC has already accepted that the parties are not close competitors for the majority of non-contracted advertisers, the logical conclusion is that no SLC finding is warranted.

5.12 In particular, the CC has accepted that the parties' Existing Customers and Lost Opportunities Surveys provide evidence of the closeness of competition between the parties' stations. By doing so, the CC must also accept the fact that the same survey evidence demonstrates that non-radio media operators compete more closely with the parties' stations. Specifically:

- (i) By accepting that the Lost Opportunities Survey demonstrates that 12% of advertisers that declined a proposal by Global used an RSL station instead, the CC must also accept that 47% used the press and that 17% used other third party radio stations.

- (ii) By accepting that the Existing Customers Survey demonstrates that 9 to 11% of the parties' customers view their stations as next best alternatives, the CC must also accept that 89% to 91% of non-contracted advertisers do not view those stations to be next best alternatives.
 - (iii) By accepting that the Existing Customers Survey demonstrates that 24% of the parties' customers would have switched some or all of their expenditure to radio alternatives, the CC must also accept that 39% would have switched some or all of their spend to non-radio media i.e. those non-radio media alternatives compete more closely with Global than other radio stations.
- 5.13 The parties will therefore have no incentive to introduce price increases post merger. Such a move would result in a significant proportion of sales diverting to these non-radio alternatives. The CC has no basis for excluding these constraints from its regional analysis.
- 5.14 Moreover, in the majority of regions there will remain radio alternatives that compete more closely with the parties' stations. Non-contracted advertisers will therefore continue to have both effective radio and non-radio alternatives going forward.
- 5.15 The CC should refer to the Regional Annexes for further detail about each of the seven regions. In summary, no substantial lessening of competition will, or is likely to, arise in any of the seven regions for the following reasons (as further detailed in the Regional Annexes).

Annex 1: East Midlands

- 5.16 Global does not agree with the CC's provisional conclusion of a substantial lessening of competition in the non-contracted advertising sector in the East Midlands.
- 5.17 Firstly, the CC fails to take into account evidence that non-contracted advertisers in the East Midlands view non-radio media as an effective alternative to radio - this is further addressed in Section 2 of Annex 1.
- 5.18 Secondly, within the radio sector, the CC has applied the wrong test in assessing competition in the East Midlands. It has given too much weight to share of listening and non-contracted revenues and insufficient weight to differences in the target demographics and geographies of the relevant stations. The CC's approach is not informative when assessing competition between highly differentiated radio stations in the East Midlands.
- 5.19 Smooth and Capital target different demographics: Smooth's average listener age is older (49) whereas Capital's is younger (34). Orion's Gem 106 is a much better alternative to both Capital and Smooth with an average listener age of 41. In particular:
- (i) In Capital's target demographic, Gem 106's reach is more than twice that of Smooth (135,000 and 54,000 respectively) and its share of local commercial listening is around three times that of Smooth (29% and 10% respectively).

- (ii) In Smooth's target demographic, Gem 106 has an equivalent reach to Capital (98,000 and 99,000 respectively – both 20%) and a higher local commercial listening share than Capital (26% and 18% respectively).
- 5.20 Gem 106 is a strong competitor in the East Midlands, with a much higher share of non-contracted revenues than Smooth (20%-29% for Gem 106 compared with 10%-19% for Smooth) and a very similar share of local commercial listening to Smooth (27% for Gem 106 and 28% for Smooth).
- 5.21 Capital is predominantly used by local advertisers: [X] % of Capital's non-contracted customers purchase on a single transmitter basis in the East Midlands. As Smooth is only sold as a regional station, it will not be an effective alternative for the [X] % of Capital's non-contracted customers who advertise locally in the East Midlands. In particular:
- (i) a non-contracted advertiser using Smooth to target customers within Capital Nottingham's coverage area would pay for approximately 48% of wasted population coverage;
 - (ii) a non-contracted advertiser using Smooth to target customers within Capital Leicester's coverage area would pay for approximately 71% of wasted population coverage; and
 - (iii) a non-contracted advertiser using Smooth to target customers within Capital Derby's coverage area would pay for approximately 84% of wasted population coverage.
- 5.22 The above points are addressed in greater detail in Section 3 of Annex 1.
- 5.23 The CC should refer to Annex 1 for the detailed analysis of the East Midlands.

Annex 2: Cardiff

- 5.24 Global does not agree with the CC's provisional conclusion of a substantial lessening of competition in the non-contracted advertising sector in Cardiff.
- 5.25 Firstly, the CC fails to take into account evidence that non-contracted advertisers in Cardiff view non-radio media, in particular press, as an effective alternative to radio - this is further addressed in Section 2 of Annex 2.
- 5.26 Secondly, within the radio sector, the CC has applied the wrong test in assessing competition in Cardiff. It has given too much weight to share of listening and non-contracted revenues and insufficient weight to differences in the target demographics and geographies of the relevant stations. The CC's approach is not informative when assessing competition between highly differentiated radio stations in Cardiff. In particular:
- 5.27 Real is a regional station in South Wales: only [X] % of its non-contracted revenues in South Wales is attributable to Cardiff only. As Capital is only broadcast to Cardiff (i.e. it

is a local station), it will not be an effective alternative for the [X]% of Real's non-contracted customers who advertise on a regional basis in South Wales.

- 5.28 Real and Capital target different demographics: Real's average listener age is older (41) whereas Capital's is younger (35). Town and Country's Nation is a more direct competitor for Capital than Real in Cardiff: it has an average listener age of 33. Nation has only recently been sold on a Cardiff-only split transmitter basis and is expected to grow share of non-contracted revenues (as well as listening) in Cardiff.
- 5.29 The above points are addressed in greater detail in Section 3 of Annex 2.
- 5.30 The CC should refer to Annex 2 for the detailed analysis of Cardiff.

Annex 3: North Wales

- 5.31 Global does not agree with the CC's provisional conclusion of a substantial lessening of competition in the non-contracted advertising sector in North Wales.
- 5.32 Firstly, the CC fails to take into account evidence that non-contracted advertisers in North Wales view non-radio media, in particular press, as an effective alternative to radio - this is further addressed in Section 2 of Annex 3.
- 5.33 Secondly, within the radio sector, the CC has not as yet taken account of the differences in the target geographies of the parties' stations, as well as evidence that the parties' stations compete more closely with non-radio media. In particular:
- 5.34 Heart is predominantly used by local advertisers: [X]% of Heart's customers purchase on a single transmitter basis in North Wales (i.e. accounting for [X]% of revenues across the four transmitters in North Wales). As Real is sold only as a regional station, it will not be an effective alternative for the [X]% of Heart's non-contracted customers who advertise locally in North Wales. Specifically:
- (i) a non-contracted advertiser using Real to target customers within Heart Anglesey and Gwynedd's coverage area would pay for approximately 82% wasted population coverage;
 - (ii) a non-contracted advertiser using Real to target customers within Heart North Wales Coast's coverage area would pay for approximately 65% wasted population coverage;
 - (iii) a non-contracted advertiser using Real to target customers within Heart Cheshire and NE Wales's coverage area would pay for approximately 72% wasted population coverage; and
 - (iv) Heart Wirral's coverage area is outside Real's TSA and therefore no non-contracted advertisers targeting the Wirral would consider Real as an alternative.

- 5.35 Moreover, as the Heart North Wales TSA extends beyond Real's TSA in the overlap area in North Wales, a non-contracted advertiser using Heart North Wales to target customers within Real's TSA in the overlap area in North Wales would pay for 48% wasted population coverage.
- 5.36 Global's event study on Real entry's into North Wales ("**North Wales Event Study**") clearly evidences that the parties' stations are not close competitors in North Wales. The North Wales Event Study clearly demonstrates that Real's entry into North Wales had [§] on Heart's non-contracted prices or revenues in North Wales, despite the two being the only (significant) commercial radio stations targeting a similar demographic in North Wales.
- 5.37 The above points are addressed in greater detail in Section 3 of Annex 3.
- 5.38 The CC should refer to Annex 3 for the detailed analysis of North Wales.

Annex 4: Greater Manchester

- 5.39 Global does not agree with the CC's provisional conclusion of a substantial lessening of competition in the non-contracted advertising sector in Greater Manchester ("**Manchester**").
- 5.40 Firstly, the CC fails to take into account evidence that non-contracted advertisers in Manchester view non-radio media as an effective alternative to radio - this is further addressed in Section 2 of Annex 4.
- 5.41 Secondly, the two largest stations in terms of listening share, reach and non-contracted revenues in Manchester are Capital and Bauer's Key 103. Based on the CC's own calculations, Capital and Key account for over 80% of non-contracted revenues in Manchester.
- 5.42 Key 103 and Capital have a similar geographic coverage and audience demographics. The CC has accepted that: "*Bauer Key 103 has a closer demographic to Capital [than Real XS];*"²⁵ and "*Bauer's Key 103 station is likely to be a good alternative to the parties for many advertisers wishing to target Manchester and the Greater Manchester area.*"²⁶
- 5.43 The CC's principal concern involves the reduction in competition between RSL's Real XS and Global's XFM in Manchester. Both are minor stations – XFM has non-contracted revenues of £[§] and Real XS has non-contracted revenues of £[§] for Manchester – less than a [§] of the revenues generated by either Capital or Key 103.

²⁵ Appendix L, Paragraph 132.

²⁶ Provisional Findings, Paragraph 7.69.

- 5.44 Therefore there can be no substantial lessening of competition in Manchester – any potential lessening of competition is trivial.
- 5.45 The above points are addressed in greater detail in Section 3 of Annex 4.
- 5.46 The CC should refer to Annex 4 for the detailed analysis of Manchester.

Annex 5: North East

- 5.47 Global does not agree with the CC's provisional conclusion of a substantial lessening of competition ("**SLC**") in the non-contracted advertising sector in the North East.
- 5.48 Firstly, the CC fails to take into account evidence that non-contracted advertisers in the North East view non-radio media as an effective alternative to radio - this is further addressed in Section 2 of Annex 5.
- 5.49 Secondly, within the radio sector, the CC has applied the wrong test in assessing competition in this region. It has given too much weight to overall regional share of listening and non-contracted revenues and insufficient weight to differences in the target audiences of the relevant stations. The CC's approach is not informative when assessing competition between highly differentiated radio stations.
- 5.50 The CC recognises that Capital has a "significantly younger audience" than Real.²⁷ The CC also recognises that Smooth and Capital are weak substitutes.²⁸
- 5.51 Bauer's stations TFM, Metro, Magic Newcastle and Magic Teesside offer much better alternatives to the parties' stations in terms of demographics than the parties' stations do to each other.
- 5.52 Annex 5 presents evidence that:
- (i) In relation to Capital's target demographic (15-34), Bauer's TFM and Metro have reach and local commercial listening shares almost three times bigger than those of Real. Moreover, Capital's internal documents (including customer emails) refer very regularly to TFM/ Metro and very seldomly to Real. Bauer is therefore a much better alternative to Capital than Real.
 - (ii) In relation to Real's target demographic (25-44), Bauer's TFM and Metro offer higher reach than Capital and a similar local commercial listening share to Capital. In addition, internal documents relating to Real highlight clearly how in demographic terms Bauer offers a much closer alternative than Capital for

²⁷ Appendix L, Paragraph 153.

²⁸ Provisional Findings, Paragraph 6.75.

advertisers seeking to target a mainstream adult audience – they expressly state how Bauer is a better substitute for Real.

- (iii) In relation to Smooth's target demographic (45-60), Bauer's Magic stations, or separately Bauer's TFM and Metro, offer over double the reach and listening share of Capital. The parties' internal documents are consistent with this – Smooth's internal documents expressly note, as the CC has accepted, how Capital is a weak alternative to Smooth.
- 5.53 Bauer's strategy is deliberately to sell Metro and TFM as a bundle both for non-contracted airtime and S&P, affording regional customers a highly desirable mainstream adult audience across the whole of the North East – this is evidenced by the parties' internal documents, which demonstrate how they lose regional customers to a combination of Metro and TFM more often than they lose customers to each other.
- 5.54 Moreover, even on an "all adults" basis, Bauer is formidable – it itself describes Metro as "the official number one commercial radio station for Northumberland, Tyne and Wear and County Durham";²⁹ and TFM as "the biggest commercial radio station in the North East and has been for 35 years".³⁰
- 5.55 Metro and TFM have the highest reach in the North East and a local commercial listening share similar to Capital's. In addition, based on the parties' revenue estimates, TFM and Metro have a non-contracted revenue share of [35-40]% - almost double that of Capital ([20-25]%) and almost three times that of Real ([10-15]%). In other words, Metro and TFM are better and stronger alternatives to Real than Capital, and better and stronger alternatives to Capital than Real.
- 5.56 Accordingly, the merger will not give rise to any SLC as Bauer will remain the parties' strongest and closest competitor.
- 5.57 The above points are addressed in greater detail in Section 3 of Annex 5.
- 5.58 The CC should refer to Annex 5 for the detailed analysis of the North East.

Annex 6: South and West Yorkshire

- 5.59 Global does not agree with the CC's provisional conclusion of a substantial lessening of competition in the non-contracted advertising sector in South and West Yorkshire.
- 5.60 Firstly, the CC fails to take into account evidence that non-contracted advertisers in South and West Yorkshire view non-radio media as an effective alternative to radio - this is further addressed in Section 2 of Annex 6.

²⁹ Attachment 5.1 - North East - Metro Radio quick guide.

³⁰ Attachment 5.2 - North East - TFM Radio media pack 2012.

- 5.61 Secondly, within the radio sector, the CC has applied the wrong test in assessing competition in this area. It has given too much weight to overall share of listening and non-contracted revenues and insufficient weight to differences in the target audience of the relevant stations. The CC's approach is not informative when assessing competition between highly differentiated radio stations.
- 5.62 The parties' stations Capital and Real are weak substitutes:
- (i) Firstly, the CC's estimate of customers affected by any potential lessening of competition is likely to substantially overestimate the number of Capital customers who regard RSL's Real as a competitor - the majority of Capital's non-contracted revenues arise from advertising targeting areas outside Real's coverage area which is limited to South and West Yorkshire.
 - (ii) Secondly, as accepted by the CC, Capital targets a younger demographic than Real. The demographic differences are not "slight" as the CC has suggested.
- 5.63 Indeed, an analysis of the internal documents before the CC shows that a combination of Bauer, UTV and/or often Lincs FM stations is much more commonly identified as a competitor to Real than Capital. Only [X] out of [X] Real customers lost to other radio between January 2012 and February 2013 were lost to Capital (and even these [X] customers also spent on Bauer or a combination of Bauer and UTV).
- 5.64 A combination of Bauer's Hallam and Aire and UTV's Pulse or Pulse 2, or Bauer's Aire, Lincs' Trax and Dearne and Pulse / Pulse 2, offer near identical geographic reach, campaign flexibility and most importantly much better demographic fits with the Real target audience.
- 5.65 In addition, a combination of Bauer's Aire and Hallam and UTV's Pulse are much better alternatives to Capital than Real. All of these stations play music with a broad appeal designed also to attract Capital listeners. They also offer higher listening shares and reach in Capital's target demographic than Real. Consistent with this, a combination of these stations is mentioned more often in Capital's internal documents than Real.
- 5.66 The above points are addressed in greater detail in Section 3 of Annex 6.
- 5.67 The CC should refer to Annex 6 for the detailed analysis of South and West Yorkshire.

Annex 7: Central Scotland

- 5.68 Global does not agree with the CC's provisional conclusion of a substantial lessening of competition in the non-contracted advertising sector in Central Scotland.
- 5.69 Firstly, the CC fails to take into account evidence that non-contracted advertisers in Central Scotland view non-radio media as an effective alternative to radio - this is further addressed in Section 2 of Annex 7.

5.70 Secondly, within the radio sector:

(a) Bauer is the leading radio group in Central Scotland

5.71 Clyde and Forth have a commercial radio share of local commercial listening in Central Scotland of 58% (16% higher than that of Global post merger). Clyde and Forth also have a higher reach than Global would have post merger.

5.72 Bauer is as strong in Central Scotland as it is in Glasgow, where the CC has found there is no SLC due to "Bauer's relative strength" (Bauer has a listening share of 60% in Glasgow).

5.73 The CC has underestimated Bauer's share in Central Scotland and overestimated that of RSL by including in Central Scotland Real XS and Smooth which are Glasgow only stations. Just as the CC excluded Real, which unlike Capital is unable to offer advertisers a split transmitter targeting Glasgow, from its analysis of competition in Glasgow, it should also have excluded from its regional analysis Glasgow-only stations.

(b) Bauer is the parties' closest competitor

5.74 In relation to non-contracted advertisers who wish to target the whole of Central Scotland (i.e. "regional" customers), a combination of Bauer's Clyde and Forth stations is a better alternative to Real than Capital.

(i) As acknowledged by the CC: "*Real and Bauer FM stations have a similar average age of listeners (around 40 years old) whereas Capital reaches a younger age on average, with an average listener age of 33 years;*"³¹ and

(ii) As further evidenced in Annex 7, Bauer's explicit sales strategy is to sell both airtime and S&P as a bundle across East and West Scotland in order to offer customers full central Scotland coverage. Bauer itself describes Real Radio (a regional only station) "***[as] its closest commercial competitor***".³²

5.75 The combination of Clyde FM and Forth FM is also a better alternative to Capital than RSL's stations.

(i) For advertisers looking for an alternative to Capital for a regional Central Scotland campaign, Bauer's stations are a more attractive alternative than Real because they reach more listeners in the Capital target demographic (15-34 year olds); and

³¹ Appendix L, Paragraph 170.

³² See Attachment 7.1 - Central Scotland - Bauer media pack - Central Scotland.

- (ii) Most of Capital's non-contracted advertisers are local advertisers who buy either the West transmitter area around Glasgow ([X]%) or the East transmitter area around Edinburgh ([X]%). Fewer than half ([X]%) of Capital's non-contracted customers buy the whole Central Scotland region. Therefore most of Capital's customers would not regard Real as a realistic alternative since Real only offers advertisers coverage of the whole Central Scotland region. The CC has accepted that Real does not compete for Capital's local customers. Bauer is a much better alternative for both Capital's local customers and regional customers (as it can sell airtime in the West alone, East alone, or across the whole region).

5.76 The above points are addressed in greater detail in Section 3 of Annex 7.

5.77 The CC should refer to Annex 7 for the detailed analysis of Central Scotland.