

**GLOBAL RADIO HOLDINGS LIMITED/GMG RADIO HOLDINGS LIMITED  
COMPLETED MERGER INQUIRY**

**Summary of hearing with Adventure Radio on 21 March 2013**

**Background**

1. Adventure Radio, owned by Stockvale Ltd, has five commercial FM radio licences and is in the process of rolling out its DAB service.
2. Adventure Radio purchased its first licence, in Watford, from the GWR Group in 2005. This was followed by licences in Southend, Chelmsford, Northants and Peterborough.

**Brand licensing**

3. At the time in which the Watford licence was acquired we were told that it was operating on a loss of [redacted] per year. Shortly after acquiring the licence Adventure Radio entered into a brand licensing agreement with GCap so that the St Albans and Watford Broadcasting Company was entitled to broadcast as 'Mercury Radio'
4. Following the acquisition of assets from GCap by Global in 2008, the brand licence transferred to Global and in 2010, at a time when Global was growing the Heart brand, 'Mercury Radio' became 'Heart 96.6 FM'.
5. At the time of entering into the brand licence it was Adventure Radio's intention to take 100 per cent of its programming from Heart Four Counties removing the need for it to provide local broadcasting. Adventure Radio would have operated a local sales team in the same way as many Global Heart radio stations. However, this would have been contrary to the terms of the Ofcom station licence so Adventure Radio agreed with Ofcom that it would continue to provide local programming during key dayparts.
6. Adventure Radio retains the right to opt out of the Heart brand with a short notice period and operate the station independently.
7. The brand licence, which costs [redacted] per year, explicitly entitles Adventure Radio to:
  - a. Use of the Heart brand and name and to network Heart programming
  - b. Certain services from Global relating to the Heart brand, including Heart [redacted]
8. The Programme Controller of Adventure Radio has the freedom to [redacted] providing it is in keeping with the Heart brand.
9. Adventure Radio broadcasts locally during the breakfast and drive time shows and historically more on weekends. It broadcasts the Heart network programming at other times. Since 2010 it has taken on additional network programming during the weekend.
10. Until 2013 Adventure Radio also paid Global for FM transmission but when the contract came up for renewal with Arqiva, Adventure Radio took it on and now deals directly.

11. Adventure Radio told us that it took its news service from Heart after the Ofcom rules on local news changed in 2010 when it was no longer a requirement for stations to broadcast at a local level and could instead do so at a regional level.
12. In addition to a licence fee, Global sells national advertising (including S&P) on Adventure Radio's behalf and takes [%] per cent commission on all sales up to [%] after which it takes [%] per cent.
13. All local advertising is sold by Adventure Radio's own team (including non-contracted S&P and local production of the advert itself). We were told that the proportion of national/local advertising is [%].
14. We were told that there are times when Adventure Radio's Heart station has been [%]. Adventure Radio has in the past also extended the number of advertising minutes to accommodate the additional advertisement but [%].
15. Adventure Radio has [%]. The only exception to this would be, for example, if an S&P customer wished to [%]. Local and national S&P is accommodated in all dayparts.
16. Adventure employs its own booker for local advertising. The booker uses Global's planning system and administration log systems. These are part of the scheduling and business systems which Adventure contracts off Global.

### **Benefits of brand licensing**

17. Adventure Radio said that the relationship with Global was very good and would seriously consider extending the brand licensing if an appropriate brand existed in those markets.
18. Adventure Radio told us that the benefits as a small operator were extraordinarily good. We were told that Heart in Watford was a driving force behind the company's other assets. Since the brand licensing it was now turning a profit of [%] per year.
19. We were also told that the value of the Heart brand, to local advertisers, was very potent and meant that it maintained a competitive edge with the stations broadcasting in and around London.
20. One of the more significant benefits was the wider exposure of Heart that Heart Watford could benefit from at no additional cost. For example, we were told that the Heart Network broadcasts on 96 to 107 FM; a frequency that includes Heart Watford by default. Global advertises the Heart brand on television – something which Heart Watford would not consider affordable – and benefits from this advertising without any additional expenditure locally to fund that advertising. The same applies for any other general Heart FM promotions.

### **Response to Remedies and Provisional Findings**

21. Adventure Radio had no comments on the PFs themselves but was supportive of the approach and involvement of Global with its own services. Adventure Radio told us that it saw no reason why brand licensing couldn't work in other areas for independently owned licences. For Adventure Radio it works best in its current form because of the Ofcom licence requirements on local broadcasting hours and certainly local sales would be required in all cases.