



Report on public interest test
on the acquisition of Guardian
Media Group's radio stations (Real
and Smooth) by Global Radio

ANNEXES

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Annex 1

Glossary

BARB Broadcasters Audience Research Board. The pan-industry body that measures television viewing.

Broadband A service or connection generally defined as being 'always on' and providing a bandwidth greater than narrowband.

Communications Act Communications Act 2003, which came into force in July 2003.

'Connected' TV A television that is broadband-enabled to allow viewers to access internet content.

DAB Digital audio broadcasting. A set of internationally-accepted standards for the technology by which terrestrial digital radio multiplex services are broadcast in the UK.

DCMS Department for Culture, Media and Sport

Digital switchover The process of switching over the analogue television or radio broadcasting system to digital.

DTT Digital terrestrial television. The television technology that carries the Freeview service.

First-run acquisitions A ready-made programme bought by a broadcaster from another rights holder and broadcast for the first time in the UK during the reference year.

First-run originations Programmes commissioned by or for a licensed public service channel with a view to their first showing on television in the United Kingdom in the reference year.

FM Frequency modulation. Type of modulation produced by varying the frequency of a radio carrier in response to the signal to be transmitted. This is the type of modulation used by broadcasters in part of the VHF (Very High Frequency) band, known as VHF Band 2.

Free-to-air Broadcast content that people can watch or listen to without having to pay a subscription.

Hyperlocal website An online news or content services pertaining to a town, village, single postcode or other small geographically-defined community.

Internet A global network of networks, using a common set of standards (e.g. internet protocol), accessed by users with a computer via a service provider.

ITV licensees ITV Broadcasting Limited, STV, UTV and Channel Television.

Mobile Broadband Various types of wireless high-speed internet access through a portable modem, telephone or other device.

Multichannel In the UK, this refers to the provision or receipt of television services other than the main five channels (BBC One and Two, ITV1, Channel 4/S4C, Five) plus local analogue services. 'Multichannel homes' comprise all those with digital terrestrial TV, satellite TV, digital cable or analogue cable, or TV over broadband. Also used as a noun to refer to a channel only available on digital platforms (or analogue cable).

Peak time The period during which: a radio station broadcasts its breakfast show and, on weekdays only, also its afternoon drive-time show; a television station broadcasts its early and mid-evening schedule, typically used by Ofcom to refer to the period between 18:00 and 22:30 each day (including weekends).

PSB Public service broadcasting, or public service broadcaster. The Communications Act in the UK defines the PSBs as including the BBC, ITV1 (including GMTV1), Channel 4, Five and S4C.

Publications Regularly produced publications such as periodicals and magazines

RAJAR Radio Joint Audience Research – the pan-industry body which measures radio listening.

Repeats All programmes not meeting the definition of first-run origination or first-run acquisition.

RSL Restricted service licence. A radio licence serving a single site (e.g. a hospital or university campus) or serving a wider area on a temporary basis (e.g. for festivals and events).

Share (radio) Proportion of total listener hours, expressed as a percentage, attributable to one station within that station's total survey area.

Share (TV) Proportion of total TV viewing to a particular channel over a specified time, expressed as a percentage of total hours of viewing.

TSA Total survey area. The coverage area within which a radio station's audience is measured by RAJAR.

Annex 2

Summary of stakeholder representations

A4.1 In total, we received 72 responses to our invitation to comment, comprised of 20 from organisations and 52 individual responses.

A4.2 Below is a summary of the representations Ofcom received directly. Some of these responses were in part or entirely confidential, denoted by ✂.

Organisations

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Advisory Committee for Scotland

A4.55 The Advisory Committee for Scotland highlighted that Scotland's broadcast media landscape is unique in character.

A4.56 The submission summarised the current radio ownership pattern as follows:

- 'Heritage' stations (e.g. Radio Clyde, Forth etc) which cover the majority of the populated areas. All are owned by Bauer, who have syndicated most of their AM output and some FM hours and reduced the size of local news teams. These are still the dominant services in listenership in most areas;
- 'Regional' stations which cover the main population centres across the central belt – Real Radio (originally Scot FM) is owned by GMG and Capital FM (which was Beat FM) is owned by Global;
- Smooth FM (formerly Saga) covers Glasgow and beyond and is also owned by Global;
- Smaller commercial licenses – one of which, Real Radio XS in Paisley, is also owned by GMG; and
- Small community licensees across the country.

A4.57 The advisory committee's main concern was that the only two regional services that cover the Central belt would come under one single owner. The committee continued, stating that Global have shown an appetite for centralisation and syndication. For example, the Capital service in Scotland used to be a dedicated service provided from Scotland but now largely operates on a syndicated basis with UK national presenters, localised with some Scottish news and advertising.

A4.58 The advisory committee concluded that the public interest is clearly not well served by reducing the players in the market and allowing one owner to provide the only 'regional' services in the main population centres.

Advisory Committee for Wales

A4.59 The Advisory Committee for Wales stressed that Global Radio's acquisition of GMG Radio is likely to have considerable implications on local commercial radio in Wales.

A4.60 The advisory committee had three main concerns regarding the merger. They were:

- Content – there is a threat to the service currently provided by Real Radio if it is homogenised with Heart and the trend towards reducing local content continues.
- Audiences – the audience of Real Radio risks being deprived of a distinctive service which, to some extent, reflects the fact that the service is in Wales; and

- Plurality – Global will acquire too great a share of the commercial radio market in Wales, with only Town and Country Broadcasting offering any serious competition.

A4.61 The advisory committee took the view that Global should be required to divest themselves of some of the Heart stations in North Wales which they currently own.

Bauer

A4.62 Bauer provided a submission to Ofcom's invitation to comment, along with an annex containing Enders analysis and data annexes.

A4.63 Bauer considered that Ofcom must recommend to the Secretary of State that the completed acquisition by Global Radio Holdings Limited of GMG Radio Limited be referred to the Competition Commission. This is on the basis that Bauer expected the transaction to lead to a situation of insufficient plurality of persons with control of media enterprises serving commercial radio audiences at a local, regional and national level in the UK.

The significance of radio

A4.64 Bauer stated that it is important to recognise that radio is and continues to be a highly significant broadcasting medium in the UK. It is widely consumed with Ofcom's recent report on the communications market showed that radio listeners, on average, listened to 22.5 hours of radio each week in 2011.

A4.65 Bauer also considered that there were a number of distinguishing features that set radio apart from other forms of media, as pointed out in the Myers Review. They are: that radio is portable, can be used whilst pursuing a primary activity, provides instant live access to both information and entertainment, can act as 'company' for those listening on their own and is free at the point of use.

A4.66 Bauer stressed the importance of radio providing instant live access to information. Other media such as local press and online news services and unable to replicate this important aspect of local news provision.

A4.67 As a result Bauer contended that Ofcom's review of the transaction should focus on the plurality of persons with control of radio enterprises.

The regional/local aspect of radio

A4.68 Bauer set out how radio is crucial for the provision of regional/local content. In particular Bauer highlighted the DCMS Seminar Paper, which notes that radio in the UK is principally a regional and local medium, with around 47% of the commercial analogue radio market providing services to fewer than 500,000 households. Good local and regional radio produces content which informs and engages with local people and communities, supports local and regional charities and events and has a physical presence within the communities it serves.

A4.69 Bauer drew attention to research conducted by Ofcom in 2011 that suggested that listeners value highly the provision of local radio and the production of content specifically produced for their local area or region. This is reflected in current legislation which requires that local radio be licensed via a 'beauty parade' system (based on quality of service), to ensure that services which are licensed provide content of the highest value to listeners.

- A4.70 The submission indicated the importance of regional/local content by referring to a range of surveys and the Myers Review.
- A4.71 Bauer also stated that both Ofcom and government have recognised the need to protect regional and local content on radio, with the DCMS Seminar Paper and Ofcom's Localness Statement both stating a variety of reasons to indicate the importance of regional and local content.
- A4.72 On this basis, Bauer stressed that Ofcom's review of plurality must include a review of the impact of the transaction on radio at a regional and local level.

Plurality concerns should not be focussed solely on news

- A4.73 Bauer discussed the need for Ofcom to take into account the impact of the transaction on a variety of types of radio content offered by Global and GMG. Bauer submitted that, while the scope of this review would certainly include news content UK radio listeners place a great deal of value on a wider range of content than just news. Bauer pointed out that Ofcom itself had acknowledged in its 'Measuring Media Plurality' advice that 'In their plurality reviews to date, Ofcom and other regulatory authorities have focused on news and current affairs but are not required by the current regulatory framework to do so'.
- A4.74 Bauer stressed that plurality had not been considered in the context of radio to date, but the purpose of introducing the media plurality test into the Enterprise Act 2002 was to protect UK citizens from undue concentration of media ownership. Bauer therefore submitted that in order for Ofcom to discharge its duty under section 44A EA02, it must include in its assessment other types of locally oriented non-news programming such as music, documentary, speech and sports programming.
- A4.75 Bauer noted, for example, that the DCMS Seminar Paper refers to the potential for an intervention in relation to mergers involving music channels which indicates strongly that it considers that the concept of media plurality applies to a far broader range of programming than just news.
- A4.76 Bauer suggest this wider view of plurality appears to have been endorsed by Professor Steven Barnett in Module 4 of his evidence to the Leveson Inquiry (the 'Barnett Report'), in which he stated his view that '...there must be a recognition that the reasons for inhibiting unhealthy media concentration go well beyond guaranteeing a multiplicity of voices that are essential for a healthy democracy.' In particular, he commented that 'Plurality goes beyond the narrowly political and must embrace the wider cultural environment. A corporate culture can determine cultural output across the board...thus helping to shape ideas that circulate within the public sphere'. He also noted that editorial decisions, which are often dictated by the corporate culture of a media company, 'will have an impact on the knowledge and ideas that circulate in civil society...for example, about whether to invest resources in foreign bureaux or in investigative journalism or to shift the emphasis to more celebrity-driven coverage [and] will have a material effect on the nature of the information circulating...Thus it is important to understand that plurality does not only mean – and in my view was not intended by Parliament to mean – simply allowing opposing views to be aired on matters of controversy or political import...This wider view of plurality needs to be acknowledged...'
- A4.77 Bauer referred to a 2011 survey which highlighted a number of reasons why content other than news, should be included in Ofcom's plurality review:

- Radio is the largest means of music consumption;
- Radio is the most important means of discovery of new music; and
- Radio is the most trusted source of opinion regarding new music recommendations.

A4.78 Bauer noted that radio is vital to the promotion and sale of music with record labels and artists relying on a variety, choice and independence of radio stations to promote a variety of artists. The transaction will reduce this variety and therefore will materially reduce the number of new artist able to launch successful careers, thereby diminishing the range of music available to UK listeners.

A4.79 Bauer therefore submitted that Ofcom must give serious consideration to the potential impact of the transaction on the provision of music content available to radio listeners and the number of stations available to give airtime to new and current artists.

The BBC should not be included in Ofcom's assessment of media plurality

A4.80 Bauer did not consider that the BBC should be included in Ofcom's review of the transaction and noted that the Barnett Report advised the Leveson Inquiry to 'counsel caution in including the BBC on an equal footing with privately owned media enterprises...' in any calculation of plurality.

A4.81 Bauer suggested that one of the reasons cited for this caution is the fact that a 16% cut in BBC funding was imposed in October 2010, which, in Professor Barnett's view, suggests that 'the BBC's size and influence is likely to diminish over the next few years'. Bauer shared this view, and also referred to Ofcom's 'Communications Report', which showed that BBC radio content spend fell 1.8% in 2011/12.

A4.82 Bauer also pointed to Professor Barnett's opinion that the BBC cannot express any views, either explicitly or implicitly. For this reason, Professor Barnett stated that the BBC can only inform opinions and has little impact in determining the formation of attitudes and opinions.

A4.83 In addition, Bauer noted that the BBC does not provide local radio services in every area where local commercial radio services operate.

A4.84 Therefore Bauer considered that Ofcom's public interest test should focus on commercial radio only.

What is "sufficient" plurality?

A4.85 Bauer drew attention to the lack of guidance given in the legislation on what constitutes sufficient plurality. The DCMS Seminar Paper noted that 'A strong radio sector is likely to be one which embraces diversity and choice in its formats; services which find and promote new music and speech services, rather than purely chasing the popular bands and personalities of today'. Bauer indicated that this is a useful statement of what the plurality test is seeking to achieve. There needs to be a sufficient number of radio operators to secure this diversity and choice.

A4.86 Bauer believed that the transaction would result in an insufficient plurality of persons with control of radio stations in the UK and certain regions and localities within the UK.

A combined Global/GMG would have high audience shares

A4.87 Bauer submitted that since 2003 commercial radio has consolidated and that Global already has a large share of commercial radio listeners, both nationally and in a number of regional/local markets. In a number of these locations Global services overlap with GMG. This is relevant to Ofcom's assessment of the effects of the transaction on 'the need, in relation to every different audience in the United Kingdom or in a particular area or locality of the United Kingdom, for there to be a sufficient plurality of persons with control of the media enterprises serving that audience' because:

- The transaction would result in a reduction of commercial radio providers;
- The transaction would result in significant increase to already large audience shares – in some areas resulting in over 70% of audience share; and
- At a national level the merged entity would have a 47% audience share, ahead of Bauer (24%) and UTV (7%).

A4.88 Bauer looked at audience shares of Global compared to its competitors in; Scotland, Glasgow, Wales, North West and North Wales, South Wales, North East England, Yorkshire, East Midlands, Manchester, West Midlands, Birmingham, London and nationally.

A4.89 At a regional and local level, Bauer noted that the transaction would give the combined GMG/Global an audience in excess of 50% in each of the regions and cities mentioned above. In Bauer's view it is most notable that it would give the merged Global/GMG high audience shares in Wales (81%) and South Wales (75%). Moreover, it would result in a reduction from three to two major operators in each of the Central Belt of Scotland, Glasgow and the East Midlands which, Bauer submitted would clearly constitute insufficient media plurality.

A4.90 Bauer noted that at a national level Global's already significant 37% share of audience figure will be increased by 10% to 47% as a result of the transaction. Although four other operators remain, the others would have a significantly lower audience share. Clearly it would also result in the operator with the third largest audience share being removed as an independent "voice" which, would result in insufficient media plurality at a national level.

The transaction is likely to result in less differentiated content

A4.91 Bauer highlighted that stations acquired by Global in the past have been rebranded as either Capital or Heart. Bauer also points to 'Heart Cornwall' which since being acquired by Global is looking to change its format to one that no longer includes a reference to 'locally focussed news, information and speech'.

A4.92 Bauer pointed out that Global's Capital and Heart networks currently broadcast their own breakfast and drive-time shows on weekdays, as well as local news bulletins, but air generic content outside of these time slots. Bauer has no reason to believe that on this occasion Global will not seek to extend the scope of its existing networked content to cover the GMG channels to the maximum extent possible under applicable regulation. Bauer suggested that one of the key reasons that Global was willing to pay an unexpectedly high price for GMG is because of the cost-savings associated with networking.

A4.93 On this basis, Bauer submitted that GMG will, in all likelihood, provide a far less differentiated offering if the transaction is permitted to proceed.

Local news is likely to be marginalised

A4.94 Bauer stated that GMG currently broadcasts regional or local news on all Real Radio stations between the hours of 6am and 7pm on weekdays and 7am to 2pm on weekends. News bulletins are broadcast every hour and, at peak times, headlines are broadcast every thirty minutes. All weather and travel news during these times is also local. Local sports bulletins are included as part of, or as an extension to, the news bulletins on the Real Radio stations. These normally run at peak times, except if there is a major breaking sports story, which would be broadcast at the relevant time, irrespective of scheduling.

A4.95 Bauer drew attention to annex 1 of Ofcom's Localness statement which sets out what local news provision should include. For example:

- An ability to react on-air to major local events in a timely manner;
- The amount of local news, and the balance of local and national news in any particular bulletin, should be subject to professional journalistic judgments; and
- That local news will always be an essential characteristic of a local station's overall output.

A4.96 Bauer stated that GMG's Real Radio stations are better-equipped than Global's stations to satisfy these criteria. GMG's local news content is produced locally/regionally with each station having editorial independence over the production of its news bulletins, news "specials" and documentaries. For example, GMG has a sizeable news team in Manchester and its news bulletins generally last for 3.5 minutes.

A4.97 Bauer contrasted this to Capital and Heart which Bauer contend provide a significantly smaller quantity of regional/local news, and of news content overall. For example, Capital Manchester does not have any Manchester-based journalists and its hourly bulletin lasts for only one minute. Due to its small number of news teams it is unable to respond and report as quickly as Real, meaning the story is either broken later or Capital relies on Sky News to provide it with a report. In addition as the journalist sent by Global is less likely to be from the area they are unable to provide a local angle as they lack knowledge of the local community.

A4.98 Bauer submitted that Global's other station, Heart, does not broadcast any local news other than during its breakfast and drive-time shows. Outside this, Heart stations broadcast a national bulletin networked from London of between 90 seconds to two minutes.

A4.99 Bauer stressed that both the quantity and quality of news content on the Real stations would be significantly diminished if the transaction proceeded and the Real stations were brought into either the Capital or Heart networks. Bauer would expect local news on Real Radio to be stripped back to the minimum required to satisfy its regulatory obligations.

A4.100 Bauer suggested that this reduction of news provision is particularly concerning as the weekly reach of radio was 90.8% of the UK population in 2011 and, on average, radio listeners in the UK listened to 22.5 hours of radio each week in 2011. As a

result, given radio's unique characteristics it is clear that radio is a highly influential force in informing opinions, encouraging discussion and promoting further thought and ideas among the UK population.

Other local/regional content

- A4.101 Bauer stated that Real Radio runs 87 hours of local programming per week (approximately 50% of its output) compared to Heart and Capital which only run 43 hours of local programming per week (26% of their output). Therefore, across the network we estimate that 220 hours of local programming could be lost as a result of the transaction which is of particular concern given the high value radio listeners put on local content.
- A4.102 Bauer drew attention to local/regional sport content. The recent decision to axe popular football "phone-in" shows from Real Radio stations in Scotland, the North East and Wales which have been replaced with a networked music show which is broadcast from London and has no local or regional content.
- A4.103 Bauer submitted that such a blatant example of the extended reliance on networked content at the expense of popular regional/local content, almost immediately after the completion of the transaction, constitutes tangible evidence that significant quantities of both sports and other local and/or regional content currently aired on Global's stations would likely suffer the same fate, which would unquestionably have a negative impact on plurality. This is especially the case given that Bauer expects Global to incorporate Real into the Heart network which does not include any sports programming in its schedule.
- A4.104 In terms of documentaries, Bauer drew attention to Real's well established reputation for producing documentaries, news 'specials' and community programming. Real has won a considerable number of awards for these types of programming. Bauer also noted that the news 'specials' were often broadcast as extensions to the news bulletins during peak times. Smooth, whilst it has networked content, is also an award-winning broadcaster of documentary content.
- A4.105 The submission contrasted this with Heart which Bauer stated does not make any documentary or community programming. If Global intended to extend its networked content to Real and Smooth, it can be expected that this content would be reduced to the minimum amount permitted under relevant regulation and, potentially, be lost completely. This would be especially damaging as much of it is regionally or locally orientated.
- A4.106 Bauer then focussed on music content as another area of concern. The submission highlighted five main areas that could cause concern:
- Unique songs – Bauer stated that Global's playlists are more limited in their diversity than GMG's playlists;
 - Local/regional/national artists – Bauer noted that Real Radio Scotland played tracks by a number of Scottish artists, but that only one of these local artists was played on Capital Scotland;
 - Identical content across brands – Bauer submitted that the content across each of Global's brands is almost identical. Whereas there is a significant degree of variance between the music playlists for each of the Real Radio stations in different regions/local areas;

- Restricted airtime for new artists – Global’s policy of restricted playlists means that it is very difficult for artists other than the most mainstream “pop” acts to get airtime. This will hinder the development of new and niche British musicians and have a negative impact on the development of musical/artistic culture in the UK; and
- Loss of local DJs – Due to the higher proportion of networked content Global, according to Bauer, have a lower proportion of local DJs than on Real Radio stations.

A4.107 Bauer suggested that it is therefore clear that Global compares unfavourably in terms of diversity of musical content when compared to other radio stations and, in particular, GMG. The musical output of a combined Global and GMG would narrow choice in the market. By adding the third largest commercial radio group to its existing networks, Global is removing a significant source of distinctive music content for consumers and a source of airtime for a broad variety of artists, both of which will contribute to an outcome of insufficient plurality.

A4.108 Bauer drew attention to a consumer survey carried out by Bauer in January-June 2012. The survey indicated what value listeners gave to a variety of different types of content. Bauer highlighted that the survey showed that consumers associate Real more with local content than Capital and that Real Radio listeners placed higher than average importance on a number of factors that which indicate that a station “understands” the local area.

Potential for Global to remove all local content from Real Radio in England

A4.109 Bauer is concerned that if, as expected, Real Radio is to be re-branded as Heart, the transaction will allow Global to cancel all regional/local content on the Real stations in England. This is possible because GMG owns two mono slots on the D1 multiplex (MUX). Ofcom’s recommendation in its Localness Statement stated that regional analogue stations should be able to request to have their localness obligations removed where those stations provide a version of that programme nationally on DAB. It appears likely that Global would be able to retain one of the D1 slots for Smooth Radio and allocate the one currently used for Smooth Radio 70s to its Heart network. Heart would then likely qualify as a “national” service on D1 and may no longer be required to provide any local or regional content.

A4.110 Bauer stated that if, as expected, the transaction results in Global seeking to further extend its current networking of content to the GMG stations, a significant and distinctive commercial radio voice will be lost at a national, regional and local level, resulting in insufficient plurality which would clearly not be in the public interest.

Global can be expected to continue its historic policy of networking content as it will make financial sense to do so

A4.111 Bauer noted that increased networking of content by Global seems highly likely as it would almost certainly make financial sense for Global.

A4.112 Bauer stressed that the replacement of some or all of the content currently aired on GMG would have a profound and irreversible negative impact on the UK radio sector and listeners. Global should not be allowed to continue to expand its network strategy further, when to do so would lead to an irreversible reduction in the number of radio voices and, in particular, local radio voices in the UK which are very highly valued by UK consumers.

A4.113 Bauer contend that the purpose of commercial radio has historically been to provide local services, and it is because consumers value radio and the important role it has in a healthy local democracy that Government has historically reserved spectrum for commercial radio and adopted a licensing system which seeks to ensure that services which are licensed provide content of the highest value to listeners. Bauer also noted that the 'Localness Statement' states that while it may be more profitable for a broadcaster to network its content, provision of that programming is linked to the public purposes of:

- Sustaining citizenship and civil society;
- Representing the UK, its nations, regions and communities; and
- Promoting social gain.

A4.114 Bauer also highlighted the DCMS Seminar Paper which stated that "The Government believes there is an inherent benefit of a strong, vibrant and freely available radio market, and these social benefits exceed the purely economic value of the spectrum".

A4.115 Bauer therefore urged Ofcom to seek access to Global's internal documents setting out its rationale for acquiring GMG and its plans post-merger, which Bauer expects will address the proposed networking of the GMG stations. Given that Global has no statutory duty to provide all relevant documents to Ofcom, we consider it essential that Ofcom recommends to the Secretary of State that the Transaction be referred to the Competition Commission, which does have statutory information gathering powers, for a more in-depth investigation.

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Future developments

A4.134 Bauer discussed the role of online radio. Bauer felt that online radio was relatively insignificant and was not currently a well enough established medium to warrant inclusion in Ofcom's review of the transaction. Bauer agreed with the cautious tone of the Barnett Report, which stated that, 'we must beware assumption – and the conventional wisdom – that new media opportunities and "convergence" means that the direction of travel is automatically towards greater plurality. This is manifestly untrue and contrary to empirical evidence'.

Conclusion

A4.135 Bauer acknowledged the need to balance securing continued provision of local radio content with the pressures on the viability of the commercial radio sector, but that this transaction would clearly, and permanently, lead to a situation of insufficient plurality of persons with control of media enterprises serving commercial radio audiences at a local, regional and national level in the UK. In particular:

- It would give the combined Global/GMG very high audience shares in a number of regional and local areas, as well as on a national level, leaving few other major commercial radio voices remaining in the UK;
- It would likely lead to the loss of a significant amount of highly valued and distinctive content currently broadcast on GMG's stations;
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- It would strengthen Global's ability to further its non-radio interests at the particular expense of record labels and musicians.

A4.136 Bauer stated that Ofcom must recommend to the Secretary of State that the transaction should be referred to the Competition Commission on media plurality public interest grounds.

Enders Analysis

A4.137 Enders stated that Global Radio's completed acquisition of GMG Radio would give Global Radio excessive control over the commercial radio content consumed by listeners. Enders highlighted that according to RAJAR data, Global Radio's share of commercial radio listening would be increased by 10 percentage points, giving it 47% of the UK total in Q2 2012. In the local media markets where Global Radio and

GMG Radio overlapped previously, the combined group will command even higher commercial radio listening shares: 65% in Cardiff, 55% in Manchester, 51% in Glasgow and 52-60% in the Midlands.

- A4.138 Enders noted that the increase in Global Radio's listening share is very significant for plurality in the supply of commercial radio, which reaches 63% of the UK population each week, with the average adult listening for 8.5 hours/week at home, in the car, at work or on the move.
- A4.139 Enders stressed that the transaction would result in an excessive concentration of radio ownership particularly in terms of the 65 plus demographic with Global gaining Smooth to sit alongside LBC, Classic FM and Gold.
- A4.140 In addition to Global's listening share, Enders noted that Global would be likely to dominant in terms of advertising revenues. If Global continued to grow its share of national advertising revenues while also expanding its local advertising footprint, smaller stations maybe driven out of business as a result. This dominance by the merged entity is a competition issue. However, as Ofcom has acknowledged, the purpose of the competition regime is to prevent a substantial lessening of competition, although its operation may indirectly affect the state of media plurality.

Content types and volumes

- A4.141 Enders noted that there are a wide range of sources of national and international news for UK commercial radio listeners. However UK commercial radio listeners have fewer options in terms of accessing regional/local 'news and current affairs' programming. Radio plays a more important role in the supply of this nation-level, regional and local news. For this provision, they rely upon commercial radio stations and the BBC's 46 local and regional radio stations, complemented by regional/local press and their websites, with only radio reaching the person in the car. Enders noted that the commercial radio stations' format obligations required a portion of the content to be locally-made, a key aspect of its relevance to the community served.
- A4.142 Enders discussed how both Heart and Real Radio stations have secured changes to their formats to reduce their local programming obligations to the minimum 7 hours a day. Enders stated that whilst Heart stations had largely reduced their local programming output to this minimum, Real Radio stations continue to produce and broadcast 10-12 hours of local output each day. Enders noted that Global Radio has focussed on branded networks, with syndicated programming across networked stations for much of the day.
- A4.143 Enders highlighted that Heart produces 974 hours of original content across its 37 stations each week (i.e. 3.8 hours/station/day), whereas Real Radio produces 579 hours of content across its 5 stations each week (i.e. 16.5 hours/station/day). This original programming includes but is not restricted to local content. Real Radio stations produce more original programming than Heart stations, and this diversity will be lost if the current schedules of Real Radio stations are eliminated or phased out over time.
- A4.144 Due to these concerns Enders considered that the merger could reduce the supply of local news and current affairs programming.

Community Radio

- A4.145 Enders noted that the reduction in plurality in terms of the “number of persons” in control of local commercial radio stations has been offset somewhat by the emergence of community radio stations.
- A4.146 However Enders pointed out that whilst community radio stations provide a valuable local service to some sections of the UK, their limited financial resources, often narrow focus and relatively low reach mean that community radio cannot replace local commercial radio for most listeners, as Ofcom has recognised. Moreover, further growth of community radio is, for the moment, likely to be limited.

Genres of interest in the media plurality assessment

- A4.147 Enders pointed out that Ofcom recently decided that ‘news and current affairs...considered across television, radio, the press and online’ should be the focus of its media plurality assessments.
- A4.148 Enders agreed that news plurality is important, but that it was only one part of the diversity provided by commercial radio that is protected by legislation, as Ofcom itself has recognised: ‘A variety of genres are potentially relevant to media plurality... In their plurality reviews to date, Ofcom and other regulatory authorities have focused on news and current affairs but are not required by the current regulatory framework to do so.’
- A4.149 Enders supported a broader scope of genres being considered pointing to the statement made by DCMS in its 2001 consultation about the importance of plurality: ‘Plurality maintains our cultural vitality. Different media companies produce different styles of programming and publishing, which each have a different look and feel to them. A plurality of approaches adds to the breadth and richness of our cultural experience’.
- A4.150 Enders highlighted that format requirements typically encompass: music output; news provision; other types of speech content; amount of locally-made programmes; co-location arrangements; programme sharing arrangements. Surveys point to music as being the principal factor in listening to commercial radio
- A4.151 Enders felt that the media plurality assessment applied to commercial radio should include the diversity of curated music playlists that Ofcom’s licence conditions protect, and which is the main value for listeners of commercial radio. The presence of a pre-release ‘airplay’ window on commercial radio leads it to play a key role in music discovery by promoting new releases from established and breaking artists, driving revenues of the music industry.

Conclusion

- A4.152 Enders concluded that the merger could reduce the supply of local news and current affairs programming, of which commercial radio is the primary source in the relevant areas of the UK (in some cases, the BBC local radio services are also available), as well as reducing the diversity of curated music playlists, key to music discovery.

Christian Broadcasting Council

Introduction

A4.153 The Christian Broadcasting Council stressed the increased importance community radio will take on post-merger as it often these stations that provide real local comment and news. With many of these stations struggling commercially CBC would like to see the income generation restrictions on community radio lifted to allow this sector to flourish. The CBC argued that the future of community radio is crucial to forging community cohesion and identity, and promoting local social action and democracy.

Content types and audiences

A4.154 The three radio brands that Global Radio has acquired offer their listeners distinctive services and therefore any change of the existing brands by Global Radio must not reduce listener choice. Already since the acquisition some football programmes have been removed from the Real Radio stations in the north of England.

Media platforms and control of media enterprises

A4.155 The acquisition will result in Global Radio becoming the dominant provider in many regions.

A4.156 Global Radio's programming model for its non-GMG operations fall into three categories: National radio delivered nationally by Digital 1's DAB network (Classic FM), quasi-national radio delivered via local transmissions (Capital, Gold and Heart) and London or Manchester stations delivered to other areas with no localisation (Choice, LBC and XFM). CBC noted that whilst this gives a high standard of production and presentation it often means that for some of the audience the 'local' appears to have been removed from local radio.

A4.157 To the CBC it appeared that the acquisition would not adversely affect the national and regional Christian broadcasters as they are primarily listener supported operations. However such market dominance in local commercial radio markets could affect the economic sustainability of smaller commercial operators leading to a reduction in listener choice.

A4.158 CBC made the point that radio is vital to providing residents access to local news and comment. The local print market has declined and regional TV news areas cover such large areas that their content is not truly local. Until the start of Local TV it is therefore only local radio that provides truly local content.

Future development

A4.159 CBC stated that radio would most likely be multi-platform in the future. As radio's strength is its portability it is vital that free-to-air spectrum is reserved in both DAB frequencies for national and regional/large local stations and in FM frequencies for small local and community radio stations

A4.160 The CBC believed that it will be vital that commercial, community and listener supported radio should be freed from unnecessary regulatory constraints on their ability to obtain revenue.

Conclusion

A4.161 CBC stated that in order to avoid market dominance in the areas where Global Radio already operates and has acquired GMG stations that Global radio should be given the following options:

- In England and Scotland to keep the Real Radio stations and off-load the local/regional Smooth Radio stations and Real XS stations. In Wales keep Real Radio and off-load the Wrexham-based Capital Radio and Gold stations. In England, Scotland, Wales and Northern Ireland (when Digital 1 extends there) keep the national DAB Smooth stations; or
- Keep all the local/regional Smooth stations plus the national DAB Smooth stations and off-load all the Real and Real XS stations.

Ferndale Garden Centre

A4.162 Ferndale Garden Centre stated that if Global and GMG merge choice for those looking to advertise would be reduced and the sense of 'local' would be reduced from the GMG stations. Currently it appears that much of Global's output is syndicated nationally with only breakfast and drive time 'local'. Consequently the merger would result in a reduction of local content.

A4.163 Ferndale Garden Centre argued that local radio should remain local. Local radio must attract local listeners to enable local businesses to target local consumers effectively.

A4.164 Ferndale Garden Centre stated that Ofcom should consider local business as well as local listeners in its deliberations. Consolidation in the commercial radio sector may make financial sense but smaller businesses will be negatively affected.

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Individuals

A4.218 Ofcom also received 51 individual submissions in response to our invitation to comment. The vast majority opposed the proposed transaction with a focus on the reduction of choice for listeners and the lack of licences for stations such as Radio Caroline. However one response was fully in favour of the transaction pointing to Global's record of producing high quality networked content and the great success its brands have achieved.

A4.219 Responses from MPs focussed on the danger of a reduction in the provision of local content, the high concentration of ownership the merged entity would obtain and competition policy concerns (which are being considered by the OFT).

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Annex 3

Information received from the OFT

A5.1 The Office of Fair Trading ran a concurrent consultation process which looked at competition concerns. To ensure that all stakeholder views were represented to the relevant body, the Office of Fair Trading transferred consultation responses to Ofcom when the submissions covered areas regarding plurality. Below is a summary table of the plurality concerns expressed in the unique and relevant submissions we received from the Office of Fair Trading.

Name	Comments Regarding Plurality
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