



DETERMINATION OF MERGER NOTIFICATION M/14/006 -

Communicorp/Cardiff Broadcasting/Gwent Area Broadcasting/Galaxy Radio/Real Radio/Smooth Radio

Section 21 of the Competition Act 2002

Proposed acquisition by Communicorp Group Limited of Cardiff Broadcasting Company Limited, Galaxy Radio Scotland Limited, Gwent Area Broadcasting Limited, Real Radio Yorkshire Limited, Real Radio North Limited, Real Radio XS Limited, Smooth Radio Midlands Limited, Smooth Radio North East Limited and Smooth Radio Limited

Dated 27 February 2014

Introduction

1. On 10 February 2014, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed acquisition whereby Communicorp Group Limited ("Communicorp") would acquire sole control of the following:
 - Cardiff Broadcasting Company Limited, Galaxy Radio Scotland Limited, and Gwent Area Broadcasting Limited from Global Radio Limited ("GRL"); and,
 - Real Radio Yorkshire Limited, Real Radio North Limited, Real Radio XS Limited, Smooth Radio Midlands Limited, Smooth Radio North East Limited and Smooth Radio Limited from Real and Smooth Limited ("RS") and Smooth Radio Investments Limited ("SR").
2. GRL, RS, and SR are all owned by This is Global Limited.
3. The proposed transaction involves the acquisition by Communicorp of nine target companies but only eight radio stations as one company, Gwent Area Broadcasting Limited, is dormant. The eight radio stations (all located in the United Kingdom) are the subject of a divestiture by Global Radio Holdings Limited¹ pursuant to the findings in a report by the Competition Commission in the United Kingdom dated 21 May 2013 in relation to the acquisition by Global Radio Holdings Limited of RS (known at that time as GMG Radio Holdings Limited).² The acquisition by Global Radio Holdings Limited of RS completed on 24 June [2012]. Communicorp was approved by the Competition Commission as an eligible purchaser of the radio stations, and has been selected by the sellers as the preferred purchaser. The proposed change of control of the radio stations is subject to notification by the

¹ This is Global Limited is the parent company of Global Radio Holdings Limited.

² <http://www.competition-commission.org.uk/media-centre/latest-news/2013/May/global-gmg-final-report>

various licensees to Ofcom, the communications regulator in the United Kingdom.

4. On 10 February 2014, pursuant to section 23(1) of the Act, the Authority forwarded a copy of the notification to the Minister and notified the undertakings involved in the proposed transaction that the Authority considered it to be a "media merger" within the meaning of section 23 of the Act.

Denis O'Brien

5. Communicorp's sole shareholder is Denis O'Brien. Mr. O'Brien owns and controls the Digicel Group. The Digicel Group, based in Jamaica, is active in the provision of mobile telecommunications services in the Caribbean, Central America and across Asia-Pacific.³ Mr. O'Brien also has interests in various sectors including radio, entertainment and aircraft leasing.⁴
6. Mr. O'Brien also owns, as of 4 May 2012, a 29.9% shareholding in Independent News and Media PLC ("INM"), an international media group with interests in the State (INM publishes the Irish Independent, the Sunday Independent and various Irish regional newspapers), Northern Ireland, South Africa, Australia and New Zealand.
7. For the financial year ending 31 December 2012, Mr. O'Brien generated from all of his business interests a worldwide turnover of €[...], of which €[...] was generated in the State.

Communicorp

8. Communicorp has businesses engaged in various media channels in the State and across Europe. It owns and operates radio stations in the State, [...], Bulgaria, Latvia and Jordan.
9. In the State, Communicorp owns six commercial radio stations, all licensed by the Broadcasting Authority of Ireland ("BAI") to broadcast in various regions in the State. These radio stations are operated by Maypril Limited (Spin 103.8), Radio Two Thousand Limited (98FM), News 106 Limited (Newstalk), Dublin Radio Rock Limited (Phantom FM), SPIN South West Limited (Spin South West) and Radio Ireland Limited (Today FM).
10. Communicorp also controls [...] % of ICAN Limited, an agency providing services and advice to clients on advertising and media strategies.⁵
11. For the financial year ending 31 December 2012, Communicorp's worldwide turnover was €58.2 million, of which €[...] was generated in the State.

The Target Companies

³ For more information on Digicel Group see: www.digicelgroup.com

⁴ These include the following: Business Recovery Services Ltd (IT disaster recovery), Aergo Capital Ltd (aircraft leasing), SiteServ plc (infrastructure and utilities support services), TBL Holdings Ltd (operation of coffee and muffin shops), China HR (online recruitment websites and software in China) and Blue Ocean Associates Limited (supply of motor fuel products in the UK).

⁵ For more information see: www.ican.ie

12. As noted above, Gwent Area Broadcasting Limited is a dormant company.
13. Cardiff Broadcasting Company Limited is involved in radio broadcasting to listeners in South Wales and providing advertising space on Capital South Wales. Capital South Wales is licensed to provide "a locally oriented contemporary and chart music and information station" to a target demographic of under 44 year olds.
14. Galaxy Radio Scotland Limited is involved in radio broadcasting to listeners in Glasgow and Edinburgh and providing advertising space on 105-106 Capital FM Scotland. 105-106 Capital FM Scotland is licensed to provide a "rhythmic-based music-led service" to a target demographic of 15-29 year olds.
15. Real Radio Yorkshire Limited is involved in radio broadcasting to listeners in Yorkshire and providing advertising space on Real Radio Yorkshire. Real Radio Yorkshire is licensed to provide "a full service adult contemporary music station...treating news, speech, regional information and listener interactivity as important ingredients and running 24 hour news" to a target demographic of 25-54 year olds.
16. Real Radio North Limited is involved in radio broadcasting to listeners in North and Mid-Wales and providing advertising space on Real Radio North Wales. Real Radio North Wales is licensed to provide "a full service adult contemporary music station...treating speech, information about Wales, sport and listener interactivity as important ingredients and running 24 hour news" to a target demographic of 25-54 year olds.
17. Real Radio XS Limited is involved in radio broadcasting to listeners in Manchester and providing advertising space on Real Radio XS. Real Radio XS is licensed to provide "a classic rock and speech service" to a target demographic of 35-64 year olds.
18. Smooth Radio Midlands Limited is involved in radio broadcasting to listeners in the East Midlands and providing advertising space on Smooth East Midlands. Smooth East Midlands is licensed to provide "a melodic music station featuring lifestyle orientated speech...with at least 12 hours of identifiable specialist music programmes each week" to a target demographic aged 50 plus.
19. Smooth Radio North East Limited is involved in radio broadcasting to listeners in the North East of England and in providing advertising space on Smooth North East. Smooth North East is licensed to provide "an easy listening station featuring melodic music from the past six decades and today mixed with lifestyle orientated speech...with at least 10 hours of identifiable specialist music programmes each week" to a target demographic aged 50 plus.
20. Smooth Radio Limited is involved in radio broadcasting to listeners in the North West of England and in providing advertising space on Smooth North West. Smooth North West is licensed to provide "an easy listening station...[...] including music influenced by jazz and soul and lifestyle orientated speech...with at least 12 hours of identifiable specialist music programmes each week" to a target demographic aged 50 plus.

21. For the financial year ending 31 March 2013, the aggregate turnover of the nine target companies was approximately €[...], all of which was generated in the United Kingdom.

Rationale for the Proposed Acquisition

22. The parties state in the notification:

“The Acquirer considers that the purchase of the Target Companies presents it with the opportunity to enter the UK market for radio advertising.”

Third Party Submissions

23. The Authority received an anonymous third party submission which expressed the following concern:

“I do not believe the Communicorp takeover of assets from Global Radio should be allowed to go ahead; Communicorp own an adequate amount of assets, and it is not in their best interests. There has been a lot of bad feeling about this issue; even the likes of certain pop stars and celebrities have said the merger was 'bad for business' and would 'make the advertising market worse not better', so this takeover should not be allowed to proceed, and Global Radio forced to dispose of the assets they sold to Communicorp.”

24. For the reasons set out below, the Authority considers that this submission raises no substantial competition concerns in the State in relation to the proposed transaction.

Competitive Analysis

25. None of the eight target radio stations has a licence from the BAI to broadcast in the State. Thus, there is no horizontal overlap between any entity controlled (either directly or indirectly) by Denis O'Brien (including Communicorp) and any of the eight target radio stations in the State.
26. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in the State.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition whereby Communicorp Group Limited would acquire sole control of Cardiff Broadcasting Company Limited, Galaxy Radio Scotland Limited, Gwent Area Broadcasting Limited, Real Radio Yorkshire Limited, Real Radio North Limited, Real Radio XS Limited, Smooth Radio Midlands Limited, Smooth Radio North East Limited and Smooth Radio Limited will not be to substantially lessen competition in markets for goods or services in the State, and, accordingly, that the proposed acquisition may be put into effect, subject to section 23(9)(a) of the Act.

For the Competition Authority

Stephen Calkins

Member of the Competition Authority

Director, Mergers Division