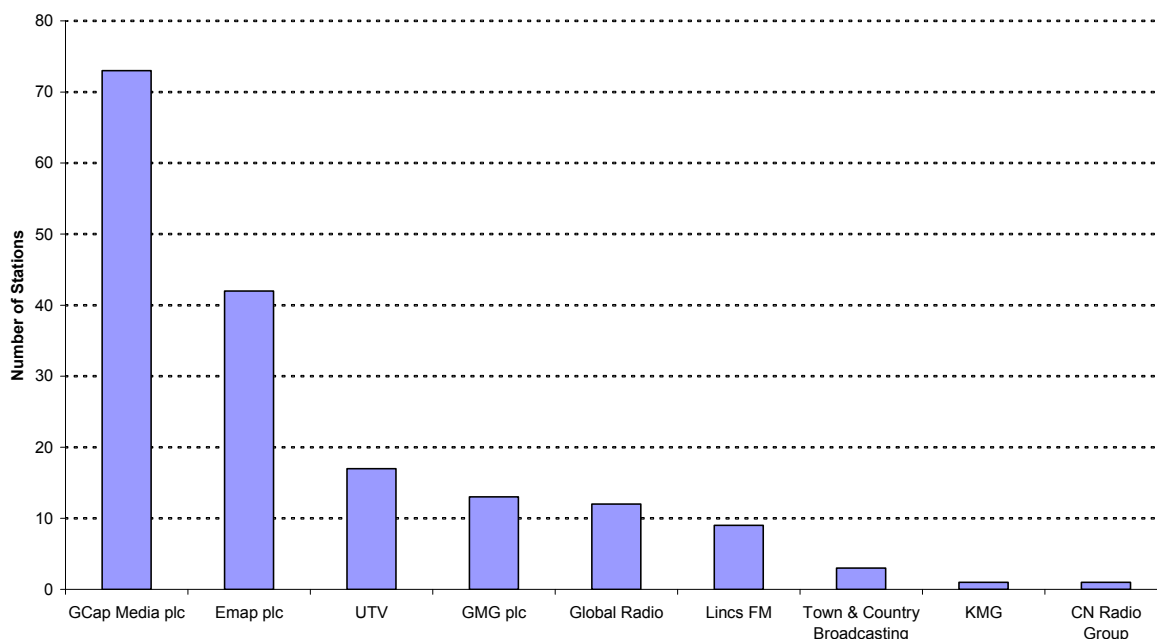


Sub-national radio questionnaire

1. This note reports on the replies received to a questionnaire sent by the CC to a group of sub-national radio stations. The list of questions is provided as an annex. This questionnaire was intended as a supplementary source of information and has therefore not necessarily been based on a representative sample of the population of sub-national commercial radio stations.
2. We have received responses in relation to 177 radio stations¹, drawn from nine parent groups, as presented in Figure 1. These range from large groups such as GCap Media plc, who have responded on behalf of 73 individual stations, to the Kent Messenger Group and CN Radio Group, who have responded in relation to single stations, KMFM and Lakeland Radio, respectively.

FIGURE 1

Q.2 Ownership of Respondents

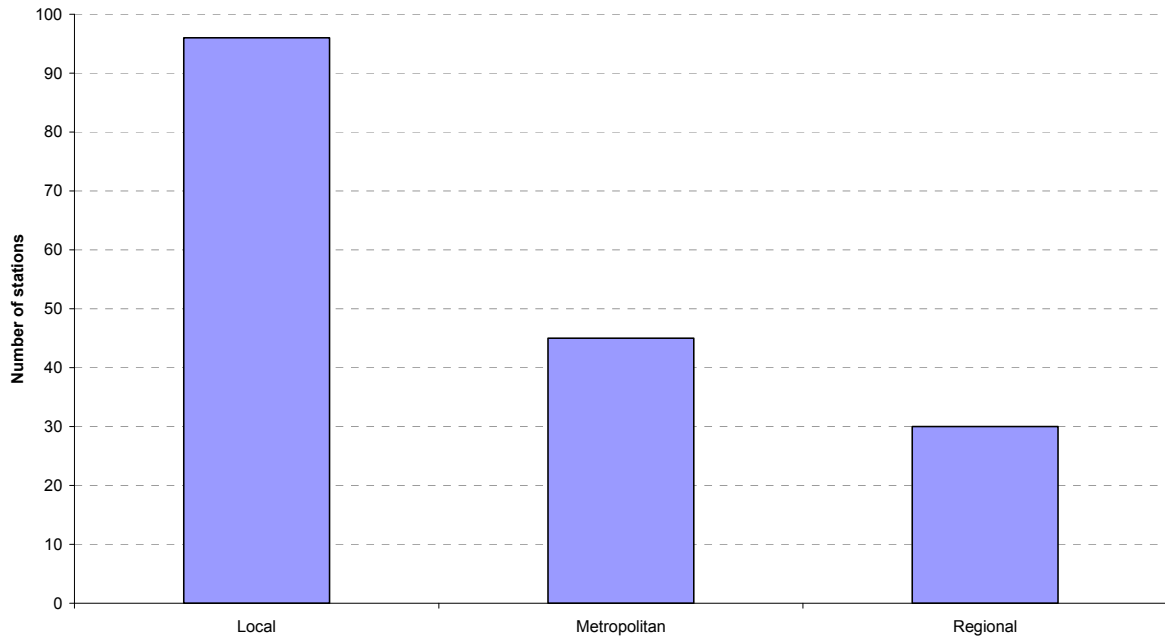


Source: CC questionnaire to sub-national radio stations

3. Respondents identified themselves as Local, Metropolitan, Regional or National radio stations. Those who responded “National” have been excluded from the analysis.

FIGURE 2

Q.5 Respondents by Coverage Size



Source: CC questionnaire to sub-national radio stations

4. Question 6 asked respondents whether network access and managed transmission services (MTS) were purchased separately or as part of the same contract. Of the 168 stations who responded, 96% stated that they purchased these together. The six stations who do not purchase these services as part of the same contract are:

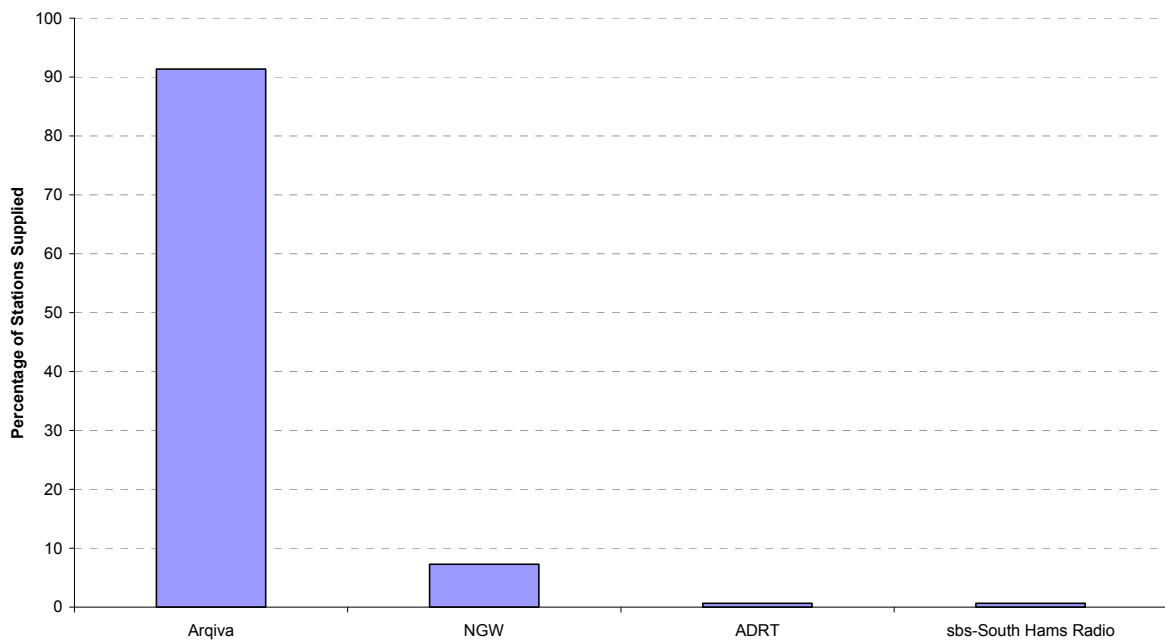
- [REDACTED];
- [REDACTED];
- [REDACTED];

- [redacted];
- [redacted]; and
- [redacted].

5. Question 13 asked if respondents supply their own managed transmission services (MTS). Only one of the 171 respondents, [redacted], stated that they supply their own MTS. However, in this regard, we are reminded that the main parties supplied a list of 34 radio stations who supply their own managed transmission services. Clearly, these stations are under-represented in the group of respondents to our questionnaire.

FIGURE 3

Q.13 MTS Providers



Source: CC questionnaire to sub-national radio stations

¹ Six of these were national stations so we have excluded them from subsequent analysis.

6. Respondents were also asked in Question 13 who provided their managed transmission services (MTS), or in cases where network access/managed transmission services (MTS/NA) were provided together (the majority of cases), who provided these. 123 stations responded to this question, with some stating more than one MTS provider.² Twelve stations stated that they had different MTS providers for their analogue services and for their digital services. [X]. As Figure 3 shows, Arqiva appear to dominate this market, with over 90% of responding radio stations.³
7. While the strong position of Arqiva in the market for the provision of MTS to sub-national stations is roughly consistent with the information supplied to us by the main parties, the very small presence of NGW is not. [X]. Nonetheless, it is accepted that NGW's market share is considerably smaller than Arqiva's.
8. In this regard, [X] have explained that there are historical reasons for the strong presence of Arqiva and the very small presence of NGW in the supply of MTS/NA to sub-national radio stations: "When ILR started more than 30 years ago the only transmission provider was the regulator, the IBA [Independent Broadcasting Authority]." This network was privatised as NTL and later acquired by Macquarie and became Arqiva. "Because of the length of the transmitter contracts and the difficulties involved in transferring ownership of equipment and NA rights at sites, it has historically been easier simply to retain the incumbent supplier." [X] also point out that: "Similarly, the BBC transmission provided transmission for all the BBC outlets, television and radio. They were privatised into Crown Castle and thence into NGW. In a similar way, it has historically been difficult for Arqiva to gain renewal of contract business from NGW, where NGW are the incumbents."

² This is because the provider of MTS/NA for FM and for DAB transmission, for example, may not be the same.

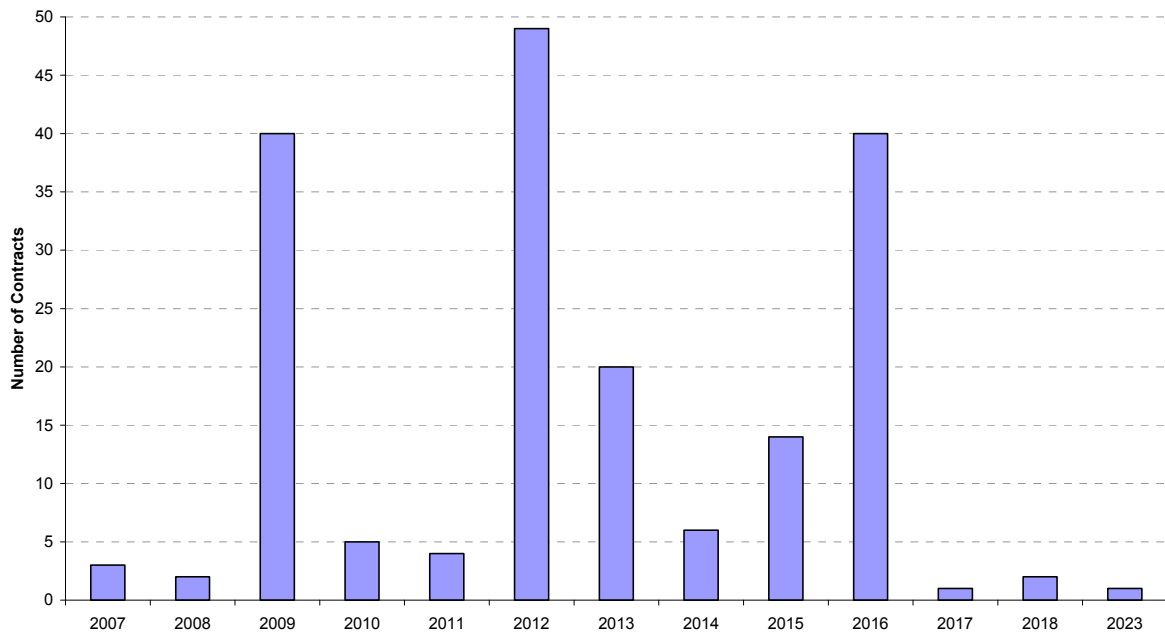
³ The Arqiva figure in the chart includes NTL. NTL sold its broadcast business to Macquarie in 2004 and the firm was renamed Arqiva in 2005.

9. [REDACTED] further assert that for new business, there is effective competition between Arqiva and NGW: "...it is now much easier to tender for new licences/new work - both companies are swifter on their feet and mast access and equipment transfer appears to become easier. [REDACTED]⁴.
10. In line with the explanations offered by [REDACTED] in relation to the weight of historical arrangements, we find among respondents that within each group there is a clear pattern in terms of who the affiliated radio stations contract for MTS/NA provision. [REDACTED]⁶.
11. [REDACTED] have said however that stations in common ownership do not necessarily always purchase their MTS/NA as a group. This is because historical contracts do not come up for renewal at the same time. Other third parties have told us that there is now an attempt to consolidate contracts in order to improve the groups' negotiating position vis-à-vis the MTS/NA providers but that this is a fairly recent development in view of the emerging competition in the market.
12. Question 14 asked respondents who do not provide their own MTS when their MTS contract is due for renewal or renegotiation. As Figure 4 shows, more than half of these contracts expire between now and 2012. Sixteen respondents did not state a date⁷, although three stations stated that they were "in negotiation". A group of respondents further noted that negotiations for these contracts typically begin 18 months before contracts expire. The responses thus indicate a large number of contracts coming up for renewal or re-negotiation in the coming years and corresponding opportunities for competition between providers of MTS/NA.

⁴ [REDACTED]
⁶ [REDACTED]
⁷ [REDACTED]

FIGURE 4

Q.14 MTS Contract Expiry Dates



Source: CC questionnaire to sub-national radio stations

FIGURE 4A

Q.14 MTS Contract Expiry Dates



Source: CC questionnaire to sub-national radio stations

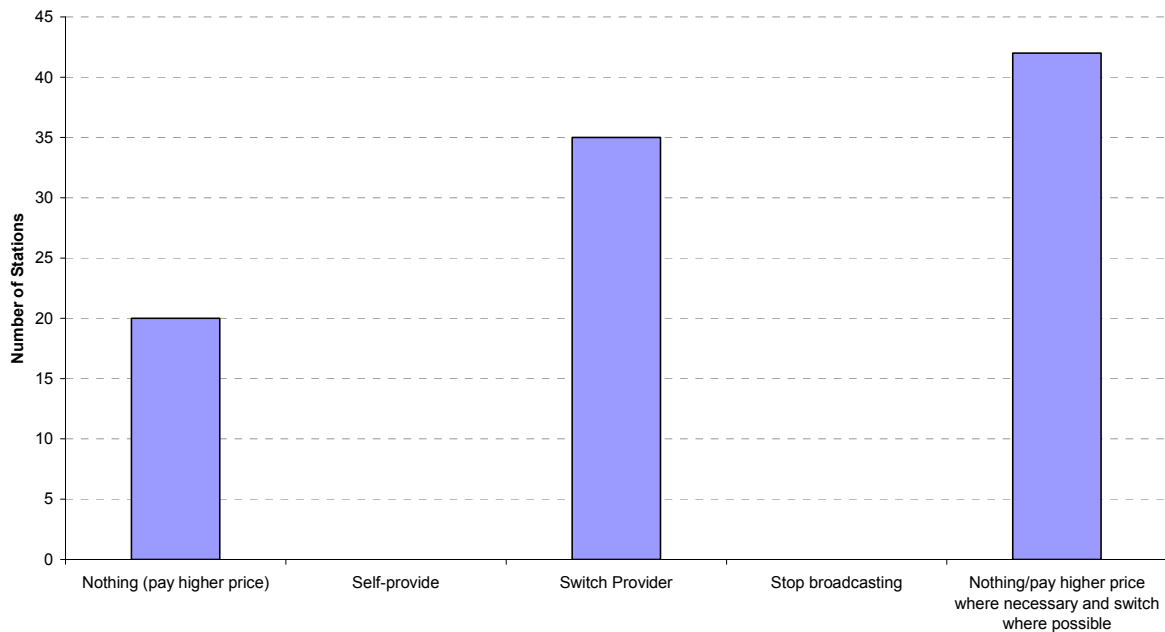
13. Figure 4A shows separately the expiry dates for NGW contracts to check whether these tend to be at later dates than Arqiva's. We do not however find clear evidence of that in the sample of respondents.
14. Question 16 asked respondents who do not provide their own MTS how much choice they felt they had over their current provider. 94 radio stations responded to this question, with 62% stating that they had "some choice" and 38% claiming to have "no choice". No respondent claimed to have "a lot of choice".
15. Question 18 asked respondents who do not provide their own managed transmission services what they would do if their provider increased the cost of MTS by 5%. Of the 97 respondents who answered this question, 36% of respondents said that they would switch provider. Most of these (or 26% of all respondents) stated that they would switch to NGW⁸. 43% stated that they would do nothing and pay the higher price where they had to, but would switch provider where they could⁹, while 21% said that their reaction to a 5% price rise would be to do nothing and pay the higher price. Interestingly, no respondent considered as an alternative a switch to self-provision.

⁸ This comprised the responses from all of the [REDACTED] and [REDACTED] subsidiaries.

⁹ [REDACTED]

FIGURE 5

Q.18 Reaction to a 5% price increase for MTS



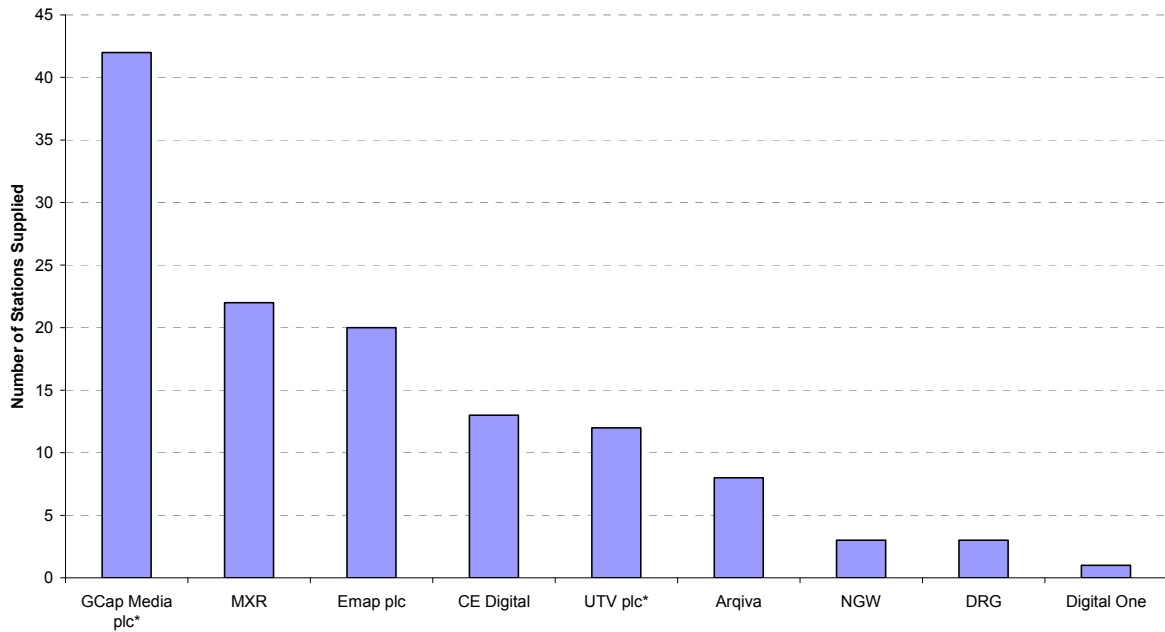
Source: CC questionnaire to sub-national radio stations

16. Question 19 asked respondents who their DAB multiplex (MUX) service provider is. 107 stations responded to this question, including two stations who responded that they had “many” providers. Seven respondents listed more than one MUX service provider, with four outlining what geographic areas were served by their various MUX service providers¹⁰. The number of stations served by each provider is presented in Figure 6. Again, there is quite a degree of cross ownership in the market, with Now Digital Ltd being a wholly-owned subsidiary of GCap Media plc. MXR, CE Digital and DRG are subsidiaries, consortia or joint ventures of other firms in the sector. Figure 7 presents the distribution of MUX service provision across ultimate owners.

¹⁰ In addition, a number of these respondents stated that their MUX services were provided by “NGW through Switchdigital” or “Arqiva through MXR” or “NGW through Digital Radio Group (DRG)”, etc. In these cases, we have taken the MUX service provider to be the latter firm in each case.

FIGURE 6

Q.19 DAB MUX Service Providers

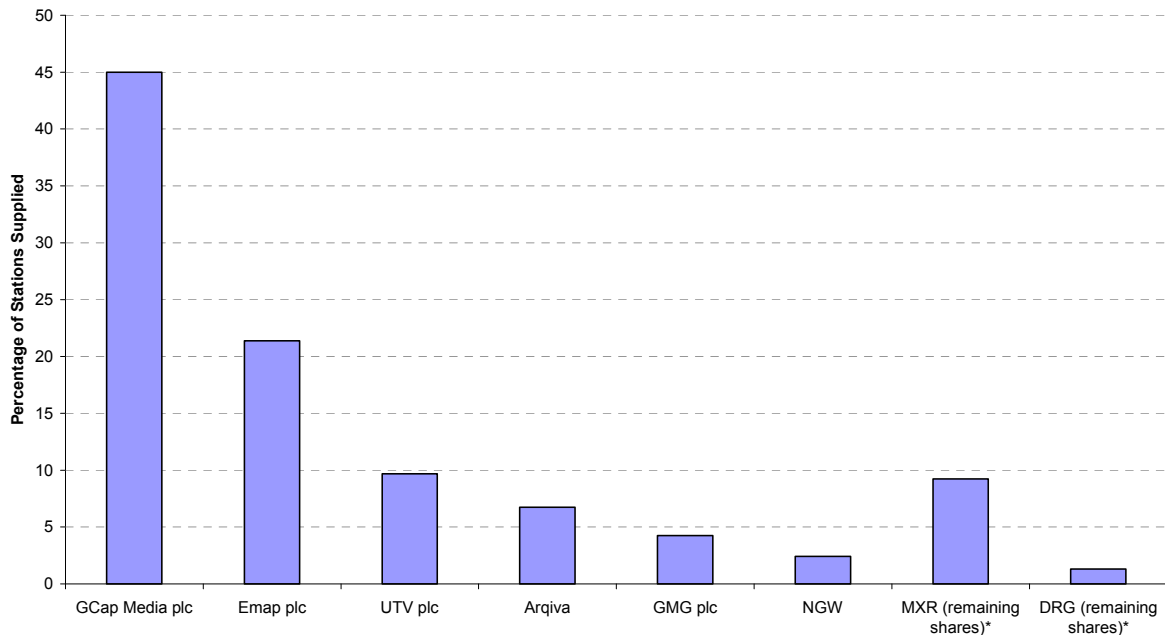


Source: CC questionnaire to sub-national radio stations

Note: GCap Media plc owns Now Digital, NDEM and Southwest Digital, while UTV plc and Switchdigital (London) and Switchdigital (Scotland).

FIGURE 7

Q.19 DAB MUX Providers Ultimate Owners



Source: CC questionnaire to sub-national radio stations

Note: It has not been possible to confirm who all of the owners of MXR, DRG or South West Digital are. For MXR we have allocated respondents on the basis that GCap Media plc and GMG plc each own 24%. The remainder are shown above as "MXR (remaining shares)". For DRG we have allocated respondents on the basis that GCAP Media plc own 46% of the company, with the remainder shown above as "DRG (remaining shares)". It has not been possible to identify any owner for South West Digital.

17. Question 20 asked if respondents are shareholders or part owners of the DAB multiplex from which they broadcast. Of the 106 respondents to this question, 83% state that they are shareholders or part owners of the DAB multiplex (MUX) from which they broadcast. A further 5% of respondents are shareholders or part owners in some of their DAB MUX providers. 12% of respondents had no share in the ownership of their DAB MUX provider.

18. Question 21 asked if respondents were aware of the acquisition of NGW by Arqiva. All respondents stated that they were aware of it.

19. Question 23 asked respondents to what extent they thought the merger would affect the price or terms and conditions at which they purchase MTS, or, where relevant, network access and MTS combined. Of the 170 responses to this question, 77% replied “much worse” and 22% of respondents stated “worse”, while only one respondent believed that its post-merger price or terms and conditions would be “no different”.

Annex

The Competition Commission (CC) is investigating the completed acquisition by Macquarie UK Broadcast Ventures Limited (Arqiva) of National Grid Wireless Group. As part of its investigation, the CC would be grateful if you could answer the following questions, which should take no more than 20 minutes. Your views are very important to the CC.

About your radio station

1. What is your radio station's on-air call-sign?

2. Is your radio station part of a larger group of companies? (Please tick.)

a. Yes If 'yes', which group of companies? _____

b. No

3. On which platforms does your station broadcast (tick all that apply)?	PLEASE TICK	Office use	
<i>Terrestrial</i>		Col. 1.	
<i>Cable</i>		Col. 2.	
<i>Satellite</i>		Col. 3.	
<i>Other (please specify)</i> _____		Col. 4.	

4. What kind of terrestrial broadcaster is your station (tick all that apply)?	PLEASE TICK	Office use	
<i>AM analogue commercial radio</i>		Col. 1.	
<i>AM analogue not-for-profit radio</i>		Col. 2.	
<i>FM analogue commercial radio</i>		Col. 3.	
<i>FM analogue not-for-profit radio</i>		Col. 4.	
<i>Digital commercial radio</i>		Col. 5.	
<i>Digital not-for-profit radio</i>		Col. 6.	
<i>Other (please specify)</i> _____		Col. 7.	

5. How would you describe your radio station?	PLEASE TICK	Office use	
<i>Community radio</i>		Col. 1.	
<i>Local radio</i>		Col. 2.	
<i>Metropolitan radio</i>		Col. 3.	
<i>Regional radio</i>		Col. 4.	
<i>Other (please specify)</i> _____		Col. 5.	

Network access and managed transmission services

For analogue and digital radio, the CC understands that broadcasters may require a range of services under the broad heading of 'terrestrial transmission services', including design and planning of transmission services, distribution of signals to broadcasting sites, procurement and installation of transmitters, network access (including access to the mast and site network and possibly to shared or shareable antennae), network monitoring and field maintenance.

The CC understands that 'managed transmission services' (MTS) consists of a sub-portion of those services, involving design and planning, procurement and installation of transmitters, network monitoring and field maintenance.

The following questions concern aspects of these terrestrial transmission services.

6. Do you purchase network access together with managed transmission services as part of the same contract? (Please tick.)

a. Yes _____ (please go to question 13)

b. No _____

Network access

7. Do you provide your own network access? (Please tick.)

a. Yes _____ (please go to question 13)

b. No _____ If 'no', who provides you with it? _____

8. If you do not provide your own network access, when is your contract for network access due for renewal or renegotiation?

(Please indicate whether this is for renewal or renegotiation.)

9. If you do not provide your own network access, what proportion of your total costs of broadcasting is represented by the cost of network access? Just your best guess will do.

_____ %

10. If you do not provide your own network access, how much choice did you feel you had over your current provider? (Please tick one.)	PLEASE TICK	Office use	
<i>A lot of choice</i>		Col. 1.	
<i>Some choice</i>		Col. 2.	
<i>No choice</i>		Col. 3.	

11. Why was that? (For example, for reasons of location, price, reliability or quality.)

12. If you do not provide your own network access, what would you do if your provider increased the cost of network access to you by 5%? (Please tick one.)	PLEASE TICK	Office use	
<i>Nothing (pay higher price)</i>		Col. 1.	
<i>Self-provide</i>		Col. 2.	
<i>Switch provider (please indicate to whom) _____</i>		Col. 3.	
<i>Stop broadcasting</i>		Col. 4.	
<i>Other (please specify, e.g. reduce broadcast hours)</i>		Col. 5.	
<i>Don't know</i>		Col. 6.	

Managed transmission services

If you purchase network access together with managed transmission services as part of the same contract, please answer questions 13 and 14 to 18 (if relevant) for both services together.

If you purchase managed transmission services separately, please answer questions 13 and 14 to 18 (if relevant) just for managed transmission service provision.

13. Do you provide your own managed transmission services? (Please tick.)

a. Yes _____ (if you are a digital broadcaster, please go to question 19, otherwise please go to question 21)

b. No _____ If 'no', who provides you with them? _____

14. If you do not provide your own managed transmission services, when is your contract for managed transmission services due for renewal or renegotiation?

(Please indicate whether this is for renewal or renegotiation.)

15. If you do not provide your own managed transmission services, what proportion of your total costs of broadcasting is represented by the cost of managed transmission services? Just your best guess will do.

_____ %

16. If you do not provide your own managed transmission services, how much choice did you feel you had over your current provider? (Please tick one.)	PLEASE TICK	Office use	
<i>A lot of choice</i>		Col. 1.	
<i>Some choice</i>		Col. 2.	
<i>No choice</i>		Col. 3.	

17. Why was that? (For example, for reasons of location, price, reliability or quality.)

18. If you do not provide your own managed transmission services, what would you if your provider increased the cost of managed transmission services to you by 5%? (Please tick one.)	PLEASE TICK	Office use	
<i>Nothing (pay higher price)</i>		Col. 1.	
<i>Self-provide</i>		Col. 2.	
<i>Switch provider (please indicate to whom) _____</i>		Col. 3.	
<i>Stop broadcasting</i>		Col. 4.	
<i>Other (please specify, e.g. reduce broadcast hours)</i>		Col. 5.	
<i>Don't know</i>		Col. 6.	

Multiplex service provision for digital radio

For digital radio, the CC understands that—in addition to access to masts and antennae (or network access, as appropriate) and managed transmission services—broadcasters also require multiplexing services. The CC understands that multiplex service provision consists of combining and compressing multiple audio streams onto a single broadcast frequency, which is then broadcast via a DAB multiplex.

Please answer the following questions only if you broadcast digital radio. If you do not broadcast digital radio, please go to question 21.

19. Who is your DAB multiplex service provider?

20. Are you a shareholder or part owner of the DAB multiplex from which you broadcast? (Please tick.)

a. Yes _____

b. No _____

The merger

21. Were you aware of the acquisition by Macquarie UK Broadcast Ventures Limited (Arqiva) of National Grid Wireless Group? (Please tick.)

a. Yes _____

b. No _____

If you purchase network access together with managed transmission services as part of the same contract, please answer question 23 only for both services together.

If you purchase network access separately from managed transmission services, please answer questions 22 and 23 separately for each.

<p>22. To what extent, if any, do you think the merger may affect the price or other terms and conditions at which you are able to purchase network access?</p> <p>Do you think the price and/or terms and conditions may be... (Please circle one answer.)</p>						
Much worse	Worse	No different	Better	Much better	<i>Don't know</i>	Col. 1.
1	2	3	4	5	6	

<p>23. To what extent, if any, do you think the merger may affect the price or other terms and conditions at which you are able to purchase managed transmission services?</p> <p>Do you think the price and/or terms and conditions may be... (Please circle one answer.)</p>						
Much worse	Worse	No different	Better	Much better	<i>Don't know</i>	Col. 1.
1	2	3	4	5	6	

24. Do you have any other comments to make? (Please continue on a separate sheet if necessary.)

Thank you very much for your time.
