

The reference and background

1. On 31 July 1997 the Department of Trade and Industry sent the MMC the following reference:

Whereas it appears to the Secretary of State that it is or may be the fact that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a merger situation qualifying for investigation, as defined in section 64(8) of the Fair Trading Act 1973 ("the Act") in that:

(a) enterprises carried on by or under the control of Capital Radio plc (a body corporate incorporated in the United Kingdom) will cease to be distinct from enterprises carried on by or under the control of Virgin Radio Holdings Limited; and

(b) as a result, the condition specified in section 64(3) of the Act will prevail, or will do so to a greater extent, with respect to both the supply of (i) local radio advertising services in the area lying within the M25, being a substantial part of the United Kingdom; and (ii) non local radio advertising services in the United Kingdom;

Now, therefore, the Secretary of State, in exercise of her powers under sections 64, 69(2) and 75(1) of the Act, hereby refers to the Monopolies and Mergers Commission ("the Commission") for investigation and report within the period ending on 14 November 1997 the following questions:

(i) whether arrangements are in progress or in contemplation as described in paragraph (a) above which, if carried into effect, will result in the creation of a merger situation qualifying for investigation;

(ii) if events so require, whether the actual results of those arrangements are the creation of such a situation; and

(iii) if so, in either case, whether the creation of that situation may be expected to operate or (if events so require) operates against the public interest.

In relation to the question in paragraphs (i) and (ii) above the Commission shall exclude from consideration one of paragraphs (a) and (b) of section 64(1) of the Act if they find the other satisfied.

31 July 1997

(Signed) ANN EGGINGTON
An official of the Department
of Trade and Industry

2. On 11 November 1997 the Secretary of State extended the period of the reference to 4 December 1997.

3. The composition of the Group of members responsible for the present investigation and report is indicated in the list of members in the preface.

4. Notices inviting interested parties to submit evidence to the MMC were placed in *Media Week*, *Marketing Week*, *NME* and the *Evening Standard*.

5. Written and oral evidence was provided by Capital, Virgin, the RA, other radio industry bodies, independent local and national radio stations, programme and news suppliers to radio stations, advertising organizations, advertisers and advertising agencies. Annex 1 lists the organizations which submitted evidence and indicates by an asterisk those with which we held hearings.

6. We conducted two surveys, sending questionnaires to a cross-section of advertisers and advertising agencies. The organizations that responded to the questionnaires are indicated by a dagger in Annex 1.

7. Members of the Group, accompanied by staff, visited Capital's and Virgin's offices and studios.

8. We should like to thank all those who assisted in the inquiry, particularly the representatives of Capital, Virgin, the RA and the RAB.

Third parties

Organizations which submitted evidence to the MMC were:

AMV BBDO Ltd[†]
 AMV plc[†]
 The Advertising Association
 Allders Department Stores Limited
 Ammirati Puris Lintas Ltd[†]
 ARC Advertising[†]
 British Broadcasting Corporation
 BBJ Media Services[†]
 British Sky Broadcasting Ltd[†]
 The Carphone Warehouse Limited^{*†}
 CD Sales and William Read Publishing[†]
 Chessington World of Adventures Ltd[†]
 Choice FM
 Chrysalis Radio Ltd*
 CIA Medianetwork UK Limited
 Mr H Cohen MP
 Curtis Hoy[†]
 Drum PHD Limited[†]
 EMAP Radio Limited
 Essex Radio plc
 Eurostar (UK) Ltd[†]
 Expert Media Ltd[†]
 Express Newspapers plc[†]
 Fort Sterling Limited[†]
 Griffin Bacal Advertising[†]
 Guardian Newspapers Limited[†]
 GWR Group plc
 H P Bulmer Limited[†]
 Independent Radio News Ltd
 Initiative Media London Limited[†]
 Institute of Practitioners in Advertising
 John Ayling & Associates Limited[†]
 J Walter Thompson Company Ltd[†]
 Kingsway Scotland Ltd[†]
 Kraft Jacobs Suchard Ltd[†]
 Leopard Sport Ltd*
 London Jazz Radio plc
 Manning Gottlieb Media Limited[†]
 Matters Media Ltd[†]
 MBS Media
 MDV Media Limited[†]
 The Media Slice
 MediaVest Limited[†]
 Melody FM*
 Metro Networks (UK) Limited*
 New PHD Limited[†]
 Ogilvy & Mather Ltd[†]

*Those organizations which attended hearings.

†Those organizations which responded to our surveys of advertisers and agencies.

Optimedia UK[†]
Perry Publications Ltd
Polygram Record Operations Ltd[†]
Procter & Gamble UK*[†]
Pure Media[†]
The Radio Advertising Bureau Ltd*
The Radio Authority*
Saatchi & Saatchi Group Ltd*[†]
Scottish Radio Holdings plc
SJM Ltd
Solo
Talk Radio UK Limited
TDI Advertising Limited
Thames FM Limited
The Incorporated Society of British Advertisers Ltd*
TMD Carat Advertising Limited
UKRD Group Ltd
Unique Broadcasting Company Ltd
Uno plc[†]
Warman & Bannister[†]
Weatherglaze PLC[†]
Weetabix Limited[†]
Westbay Distributors Limited[†]
Xfm Ltd*
Yellow Pages[†]
Zenith Media Services Ltd*[†]