



On the same wavelength: the broadcasters GWR and Capital got together after regulations put paid to previous merger moves

How two radio heads kept their merger silent



Dan Sabbagh on why the leaders of GWR and Capital did not need bankers to put together a deal

WHEN Ralph Bernard and David Mansfield met in April, there was no guarantee that the two radio bosses would manage to engineer a merger between their companies, GWR and Capital Radio.

After all, the two had tried twice before — in 1999 and 2002 — and on each occasion the talks collapsed because they could not see a way round tight competition rules.

But, once the rules were relaxed at the end of last year, it was only a matter of time before the two men tried again. In secret, over five months and 14 meetings — held at the GWR company flat in Kensington, West London — Bernard and Mansfield thrashed out all the key issues without a single

investment bank being involved. Although the merger was not announced until last month, the deal was all but done by the end of August.

To facilitate matters, the two men hired Nigel Pantling, a former Schroders and Hambros banker, who now operates as a one-man adviser to senior executives. Pantling, who had been involved in the two abortive rounds of talks, was given the job of drawing up agendas, following up issues that emerged, drafting agreements and creating a process that, he says, "enabled the two to build up trust".

The radio bosses were also worried that their talks would leak if bankers and other advisers were brought in.

Bernard says he was concerned that most advisers would have an axe to grind, subtly favouring one side over the other, and adds that Pantling, who charges by the day, was "a damn sight cheaper" than a bank.

Within a couple of meetings, there was agreement that the two companies should merge on an equal basis, and soon afterwards Bernard and Mansfield concluded that they should keep their jobs as executive chairman and chief executive, respectively.

However, worried that shareholders might not buy the idea — after all, a similar scheme was brutally rejected by ITV

investors earlier this year — a large part of the secret meetings were taken up by drawing the boundaries between each man's role.

Pantling says: "They had seen that Michael Green [former Carlton chairman] had been forced out in the ITV deal, and wanted no suggestion to emerge that they had not thought it through." Was it easy? "There were raised voices, but never from both men at the same time."

Bernard says that Pantling acted "like a marriage guidance counsellor", adding: "When things got tough, Nigel would

agreement document was written in August. Only at that point were investment banks — UBS for GWR and Credit Suisse for Capital — formally brought in, largely to agree on valuations for each company.

Curiously, it was at this stage that the codenames for each party involved changed. "My codenames were Cheltenham and Gloucester," Pantling says. "But at some point one of the banks changed it to Chanel and Gucci." That gave the whole transaction a rather more upmarket veneer.

So far, the exercise appears to have had the desired effect. Although shareholders have made it clear that, in principle, they do not like the idea of a full-time chairman and a chief executive at the top of a company, they are prepared to deem this deal a special case.

Bernard says the long build-up has helped to forge what he hopes will be a sustainable relationship with Mansfield, a man he describes as "somebody who can listen to a good argument". He says: "I've spent 22 years building GWR, and I don't want to put it in a situation where I don't trust the other guy I'm doing it with."

Pantling will certainly be hoping that the chemistry remains good. "I'd be very surprised and enormously sad if it didn't work out," he says. "There is enormous potential for these men to work well together."

'The bosses were worried that their talks would leak if advisers were brought in'

take the opportunity to speak to one of us individually, and as a result we were able to deal with a lot of the nonsense issues that might have emerged after the merger was done."

A memorandum of understanding was drawn up in May, with the support of both companies' boards, and a full heads of