

### Analysis of Yell's rate card prices in re-scoped areas

1. This section analyses the effects of re-scoping on rate card prices.
2. Following a re-scope, the maximum rates that Yell is permitted to charge are calculated using a formula specified in the undertakings. The formula takes as its base the rate for quarter-column advertisements; the maximum quarter-column rate in the new edition is calculated as the average of the quarter-column rate on the five directories whose GMC is immediately above and the five directories whose GMC is immediately below the new directory's GMC. The formula does not take into account Yell's rate in the pre-re-scope area.
3. Yell have provided evidence that shows that, out of the 57 post-re-scope areas between 1999 and 2005, Yell set rates below the regulatory maximum in 38 areas. This implies that, even when advertisers are currently paying the non-discounted rate card rates in these areas, it would have been possible for Yell to have charged higher prices if Yell had not made this decision.
4. Table 1 shows that in 18 areas out of the 38 areas where Yell set prices below the regulatory maximum, the rate set by Yell was 5 per cent or less below the regulatory maximum (in six areas, the difference was only of £3 or less). In another nine areas the rate was set between 6 and 10 per cent of the maximum.

TABLE 1 Yell pricing in re-scoped directories

<i>Difference between maximum authorized and rate card %</i>	<i>Number of areas</i>
None	19
0	3
1-5	15
6-10	9
11-15	3
16-20	6
<u>21-25</u>	<u>2</u>
All	57

Source: Yell; CC calculations.

5. Re-scoping will only be successful and increase revenues if new customers start advertising with Yell following the re-scope. It is clear that the level of pre-re-scope rates imposes a constraint on the level of post re-scope rates. Indeed, if post re-scope rates are equal, or close to, pre-re-scope rates, this is unlikely to attract new advertisers since they would be paying the same amount, or slightly less, for a much smaller coverage area.
6. We have analysed the post re-scope rates charged by Yell (see Table 2). We have found that there is a strong relationship between post-re-scope rates and pre-re-scoped rates. Yell appears to set post-re-scope rates around 30 per cent below pre-re-scoped rates. There are a number of areas where the regulatory formula would result in rates only just below the pre-re-scope rates, and these tend to be the areas in which Yell has lowered rates below the maximum authorized. When the regulatory formula results in rates lower than 30 per cent of the pre-re-scope rates, Yell has generally set rates at the maximum authorized or just below the maximum.

TABLE 2 Yell pre- and post-re-scope pricing by directory

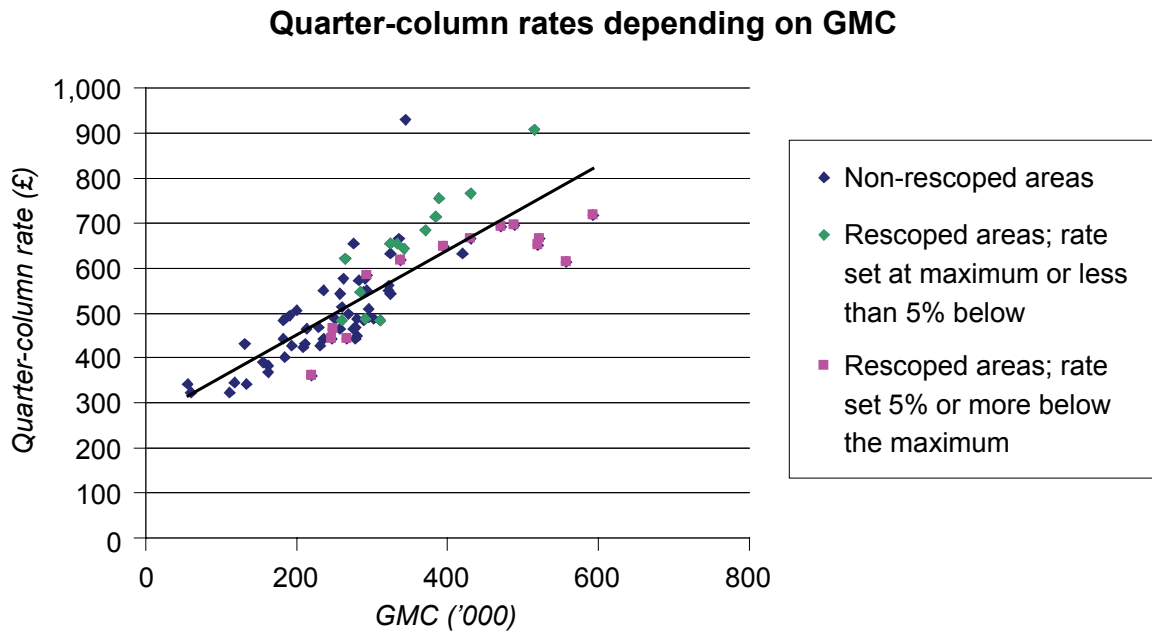
	<i>Pre-re-scope rate</i>	<i>Regulatory maximum</i>	<i>Effective rate</i>	<i>Difference between max rate and pre-re-scope rate %</i>	<i>Difference between effective rate and max rate %</i>	<i>Difference between pre-re-scope rate and effective rate %</i>
Gloucester	482	453	362	-6	-20	25
Swindon	482	410	342	-15	-17	29
Bristol	702	679	550	-3	-19	22
Bath	702	413	410	-41	-1	42
Oxford	655	449	449	-31	0	31
High Wycombe	655	371	370	-43	0	44
Southend	655	463	450	-29	-3	31
Chelmsford	655	406	400	-38	-1	39
Cardiff	655	655	530	0	-19	19
Newport	655	448	395	-32	-12	40
Mersey	678	652	490	-4	-25	28
Warrington	678	428	410	-37	-4	40
Reading	658	449	440	-32	-2	33
Slough	658	428	410	-35	-4	38
East London	678	521	475	-23	-9	30
Romford	678	477	455	-30	-5	33
Carlisle	451	379	345	-16	-9	24
Lancaster	451	413	355	-8	-14	21
Bedford	629	449	420	-29	-6	33
Luton	629	424	400	-33	-6	36
Lincoln	447	479	367	7	-23	18
Grimsby	447	449	359	0	-20	20
Guildford	597	435	423	-27	-3	29
Basingstoke	597	345	345	-42	0	42
Colchester	529	418	385	-21	-8	27
Ipswich	529	347	335	-34	-3	37
Sheffield	570	479	450	-16	-6	21
Barnsley	570	459	420	-19	-8	26
Glasgow South	634	645	540	2	-16	15
Ayr	634	338	338	-47	0	47
Glasgow North	571	507	480	-11	-5	16
Stirling	571	305	305	-47	0	47
South London	667	395	395	-41	0	41
Croydon	667	406	406	-39	0	39
West London	801	449	449	-44	0	44
Harrow	801	450	450	-44	0	44
SE London	675	406	406	-40	0	40
Bromley	675	435	435	-36	0	36
Sunderland	431	352	350	-18	-1	19
Durham	431	326	325	-24	0	25
North London	605	395	395	-35	0	35
Enfield	605	395	395	-35	0	35
Shrewsbury	397	384	320	-3	-17	19
Hereford	397	297	295	-25	-1	26
Edinburgh	991	511	510	-48	0	49
Dundee	991	366	349	-63	-5	65
Fife	991	323	323	-67	0	67
Plymouth	433	369	355	-15	-4	18
Mid & W Cornwall	433	350	345	-19	-1	20
Richmond	643	406	406	-37	0	37
Kingston	643	395	395	-39	0	39
York	480	410	375	-15	-9	22
Hull	480	376	350	-22	-7	27
Walsall	468	348	348	-26	0	26
Sutton Coldfield	468	321	321	-31	0	31
SW Birmingham	417	328	328	-21	0	21
Solihull	417	302	302	-28	0	28

Source: Yell; CC calculations.

7. Figure 1 illustrates the fact that directories where rates were set below the maximum authorized tend to be those in which the rates prior to re-scoping were relatively low compared with the average for a given level of circulation, and therefore areas in

which the re-scoping formula would result in maximum rates which are high compared with the pre-re-scope rates.

FIGURE 1



Source: Yell; CC calculations.

8. This suggests to us that one reason for Yell setting prices below the maximum permitted by the undertakings in many areas is that while Yell seems to aim to set post-re-scope rates that are around 30 per cent below pre-re-scope rates, the regulatory formula does not take into account pre-re-scope rates in order to determine post-re-scope rates and can produce maximum permitted rates that, if adopted, would entail very steep increases in price per GMC in re-scoped directories.