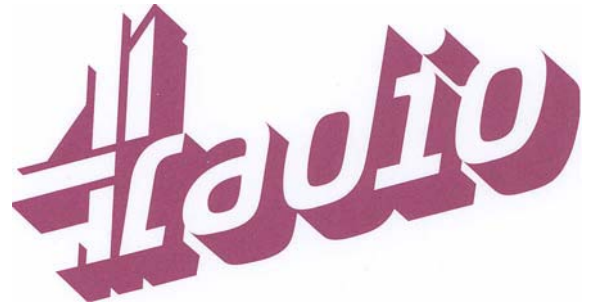


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Peter Davies Ofcom Riverside House
2a Southwark Bridge Road LONDON
SE19HA

12th December 2006

Dear Peter

The Future of Radio, Discussion Document Dated 16 November 2006

I am responding briefly to your consultation requesting comments on the above discussion document. I am replying on behalf of Channel 4, as the majority shareholder in the national digital sound programme licensee, OneWord, and as a prospective applicant for the second commercial national digital radio multiplex licence. We welcome your approach to consultation and dialogue with the radio industry and are pleased to have the opportunity to raise possible issues for further consideration.

We read with interest your analysis of the issues faced by the broadcast radio industry, with which we agree. You have identified specific areas to be considered for change, most which (except for the general issue of radio ownership) apply to analogue only. It is clear that the general framework for licensing analogue radio services (if such licensing is to continue) needs a thorough review.

However, we believe that it would also be timely and necessary to include in your considerations a review of the framework for regulation of digital radio; if there are anomalies between the regulatory regime for analogue and digital radio which need to be remedied, then the opportunity should be taken to ensure that the new framework for regulation is one which also meets the realities of the new digital environment. Digital radio - as well as analogue - is affected by growing competition from other technologies, and is struggling to gain advertising share as the internet attracts more and more display advertising spend.

If digital radio is likely to represent the future of radio, then the regulatory framework should be reviewed to determine the extent to which regulation - versus the market - is needed to deliver the desired public purposes of radio.

There are a number of issues which raise potential, and actual, conflicts between different Ofcom's duties which would benefit from a public discussion. For example, the requirement for Ofcom to secure throughout the UK a wide range of radio services which appeal to a variety of tastes and interests may need to be tempered by the desirability of promoting competition. This has a direct

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And- Duncan, Chief Executive. Anne Bulford, Group Finance Director. Andrew Barnes, Sales Director.
Kevin L-go, Director of Television. Rod Henwood, New Business Director.
Sue Ashtian-, Karren Brad-, Ton- Hall, And- Mollett, Martha Lane Fox, Stephen Hill.
Paola Tedaldi, Secretar-.

LIVESTOR IN PEOPLE



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bearing on how Ofcom assesses programming proposals on digital multiplexes, and requests for variations of multiplex licences.

Another area where conflicts occur is in the case of technical regulation. Ofcom currently regulates the type of audio codec used within DAB. Ofcom's restrictions could possibly limit innovation, adversely affect spectrum efficiency, and prevent a wider range of radio services being offered. On the other hand, it protects the position of existing owners of DAB radios (although it does not offer consumers the choice of a better, bigger system).

We would therefore recommend a review of the regulatory framework for DAB radio, in particular looking at regulation of programme services and at technical regulation.

Another area which we would suggest for further debate is whether Band 3 should be replanned for use by DAB and DMB. While there would certainly be costs involved - for Ofcom and for the industry - the outcome could result in more financially viable multiplex areas with more robust coverage. This review might fall neatly within a review of AM (and Band 2) and potential use of AM (and Band 2) frequencies for digital radio mondiale.

Finally, as an explicit outcome of Ofcom's review of spectrum use by radio broadcasting, we would ask Ofcom to develop a strategy to migrate from analogue to digital, as is happening for television.

I look forward to the opportunity to respond to more detailed papers on these and other topics in the New Year.

With best wishes,



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Yf\Jerel^Y

Nathalie
Director~ Radio
Channel 4