



Response to Ofcom Consultation
by Channel 4 Radio Limited

The Future of Radio:
The future of FM and AM services and the alignment of
analogue and digital regulation

Executive Summary (Public)

- Commercial radio is a struggling industry. While Ofcom recognises this, its proposals do not go far enough nor soon enough to encourage and reward investment in programming, marketing and technology: all three of which are needed for the successful development of DAB. We recommend Ofcom establishes a Stakeholders Group to discuss and take forward the ideas raised in this consultation document to find a solution to the problem of radio.
- Format regulation is intended to satisfy the public policy objective of ensuring that a choice of services is available to listeners. Once this choice is provided through market mechanisms, regulation can fall away. As more than 80% of UK households are already digitally enabled (and a wide range of radio services are available via both DTT and satellite platforms), there is a strong argument for reducing format regulation immediately.
- By contrast, there is no current certainty that localness will be provided by the market, not least because of the considerable financial pressures that the industry faces for the foreseeable future. In the longer term, once the industry is no longer funding the migration to digital, we believe the market will provide whatever localness listeners seek. But until then, we consider a degree of regulatory intervention remains necessary. This intervention should, however, become increasingly guidance-based. Any regulation for localness should focus on outcomes, rather than in-puts, in line with good, principles-based regulatory practice.
- Given the requirement for diversity amongst national digital radio services, there remains no need specifically to regulate for diversity amongst national analogue radio stations. However, the existing INR licences should be fully re-advertised as they expire. Moving forward, as the number of national services increases, consideration should be given to enabling head-to-head competition between services.
- Local ownership restrictions have been a useful tool to preserve plurality. However, given the number of radio services available through digital as well as analogue platforms, we question whether radio-specific rules remain necessary. We suggest thorough research is undertaken to inform future policy. The research should test the extent to which local radio plays a role in providing cultural and democratic purposes as compared to other media and sources of community and information. If, on the basis of evidence, it is determined that radio plurality remains a key policy objective, then research should also consider whether the measurement applied to determine the need for regulatory intervention should change to actual listening, rather than *availability* as hitherto.
- Multiplex ownership rules should follow the "2-plus-1" rule.
- Every effort should be made to reach an early decision about the date of radio DSO. Continued uncertainty is bleeding the industry of investment in programming, marketing and technology and will deter institutional investors from supporting the sector. We urge Ofcom, with the support of DCMS, to learn the lessons from the television DSO project and establish a formal group now to take forward planning for radio DSO, with an initial target date of 2015.
- All analogue licences (including those which are renewable under the provisions for automatic 'digital' renewal) should have a common end date (presumptively 2015). The suggestion for indefinite licences with a two-year notice period is completely untenable for business reasons. Such an arrangement would undermine existing investment in digital where certainty is needed, and would devalue analogue radio businesses without providing an equivalent value in digital. The cost to the radio sector of migrating to digital is enormous: this investment must not be undermined by a slow deletion of share value.

- To foster a successful migration, Ofcom and government must provide genuine incentives to provide a degree of certainty for investors. These would include setting a clear radio DSO date by which point regulatory burdens would have decreased, ensuring that the duration of digital licences post-DSO is sufficient to enable a reasonable return on investment (we suggest at least 10 years), and delaying the introduction of charging AIP until at least two years after radio DSO. This would be consistent with television, whereas Ofcom's current intention is to introduce AIP before radio DSO, when the financial strains on the industry will be at their greatest.
- Much more thought needs to go into the design of any flexible radio licensing regime, including by auction. We suggest this should be discussed by the Stakeholders Group.
- Ofcom has specific statutory obligations to secure spectrum efficiency and encourage investment and innovation. One of the key Hampton Principles is to support economic progress. These targets do not appear to be appropriately considered when setting technical parameters for DAB. Ofcom should be working with the industry to introduce the benefits of DAB+ to consumers, much in the same way digital satellite and DVDs have successfully overtaken earlier standards in consumer electronics.
- Community Radio should be supported to become a vibrant and sustainable component of the radio universe. This should include reducing regulatory burdens so that they are proportionate to the size and value of the sector.