

29<sup>th</sup> June, 2007

Peter Davies  
Director of Radio & Convergent Media  
5<sup>th</sup> Floor  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London SE1 9HA

Dear Peter

#### **OFCOM CONSULTATION – THE FUTURE OF RADIO**

This letter represents ISBA's response to this important consultation, which opportunity we appreciate. ISBA is the representative organisation of British advertisers, its membership comprising multinational, national and some local companies from all advertising sectors. Our combined membership accounts for almost half of all national advertising expenditure on UK Commercial Radio.

#### **GENERAL COMMENTS**

Before responding to the specific proposals in the consultations, we would offer the following general comments.

- Compared to, say, television, UK Commercial Radio is a small industry with annual revenues of some £600m. It is also both competitive and fragmented, with some 70 companies operating in the space. Critically, its representative body, the Radio Centre, states that the majority of UK radio stations are currently unprofitable – hardly a culture for growth, innovation and listener satisfaction.

We believe that regulation must be sensitive to the size and nature of industry it regulates, lest it threatens effective commercial operation or creates insuperable barriers to entry.

- We also believe that regulation of the regulated media industries must also recognise the much lighter regulatory burden faced by new competitors operating through new media channels, such as online, which threaten its advertising revenue base.
- Radio is subject to very significant market intervention in the form of the BBC, whose enormous legacy, spectrum and funding advantages – as well as its performance competence - enable it routinely to enjoy well over half of all UK radio listening. Community radio represents yet further intervention.
- We believe that to flourish in the future, UK Commercial Radio will need to be more radical and innovative than it has been in the recent past, but – and this is a key task for regulation – it needs to be allowed to be so.
- In this light, we consider intervention in the form of detailed, format-based regulation of Commercial Radio to be unwarranted and unsustainable. We believe Ofcom has made a good start in the right direction in this consultation but should, and we are given to understand could, go much further.

We therefore support the Commercial Radio industry's calls for an entirely different regulatory approach which questions whether detailed intervention is required at all in some areas.

We make this point subject only to the clear qualifying need for certain cautions with regard to excessive concentration of ownership or power - possible but in our view not threatening with regard to acquisition of content, but a clear and present concern in the area of the sale of advertising airtime, sponsorship and promotions at the national, regional, local and cross-media levels.

#### COMMENTS ON THE CONSULTATION'S SPECIFIC PROPOSALS

We now offer these comments on the specific proposals in Ofcom's extensive consultation document, which should be read in the light of the above general comments.

##### *PROPOSAL 1 – ALIGNMENT OF CONTENT REGULATION ON DIGITAL AND ANALOGUE*

We believe that such deregulation is already overdue, and should be adopted at the earliest opportunity and should proceed swiftly. We also believe that whilst the application of a threshold proportion of digital listening may make sense from a regulatory input perspective, it makes much less sense, and is indeed arguably irrelevant, from a listener perspective.

We support the call for maintenance of provision of appropriate amounts of local content. Work by both Ofcom and the Radio Centre has shown the critical importance of local radio to listeners, and their affinity to it, which certainly enhances local stations' value to a number of major advertisers.

However, we urge caution towards excessive regulatory intervention in this area, as these very strengths suggest that market forces could be sufficiently positive in themselves. In particular, we challenge the belief expressed in the consultation that all local material must be generated and produced locally. This constraint does not apply, for example, to local newspapers which routinely provide highly localised content from more efficient and centralised hubs. (If the proposal to streamline regulation of analogue alongside digital is realised, this issue may never emerge).

Further to our comments above regarding the need for greater innovation from broadcasters, we also believe the future success of Commercial Radio on all platforms will pivot upon migration from the current multiple occupancy of the centre ground youth/top40 format towards more clearly segmented broadcast offerings – perhaps the most notable current omission being commercial speech stations.

##### *PROPOSAL 2 – OWNERSHIP RULES*

Consistent with our points at proposal 1 above, we support the proposal to bring together ownership rules for analogue and digital.

We recognise that, unlike with television advertising, many advertisers consider that they have viable alternatives to radio. However, it is worth remembering that these alternatives are less abundant for advertisers with local needs. This is particularly true in cases where local newspaper publishers also own local radio stations and vice versa.

We therefore strongly support the proposal for control of ownership of local digital multiplexes, and for effective cross-media ownership rules which prevent the emergence of seller power at local and regional levels. It is perhaps as well that this would require new legislation, as our concerns are not confined to radio and press alone – for advertisers, they include billboards, cinemas, local TV stations and perhaps even leafletting and door-drop operators.

##### *PROPOSAL 3 – SWITCH-OFF & SPECTRUM FREE-UP*

Analogue radio has near-universal penetration and is therefore a very important platform, particularly for communicating with digital have-nots or 'refuseniks' and certain sectors of society such as the less well-off or elderly and disadvantaged groups like the blind.

That said, we have noted the several positive impacts of Government's announcement of a clear path and timetable to digital switchover in television, and would suggest that consideration is now given to laying plans for a similar path and timetable, however lengthy, for radio. This would offer investors in the space visibility and greater certainty, and so could be critical to the eventual success of Digital Audio Broadcasting in the UK.

The proposal that re-awarded licences should have an expiry date of end-2015 and that Ofcom should have new powers to achieve a common end-date for all licences suggests some recognition of these issues. We will leave others better qualified to respond on optimal future deployment of spectrum and related engineering issues.

*PROPOSAL 4 – PLATFORM-NEUTRAL LICENSING*

We believe that listeners will increasingly seek out and consume media channels and brands on the basis of their content and values regardless of delivery platform. There is already widespread evidence to support this from media brands rooted in newspaper and magazine publishing, whilst broadcast brands are extending their presences online almost daily.

We therefore agree that future licensing of services with significant public purpose should be technology neutral. However, we would also warn against attempts to control and prescribe broadcast commercial services through licensing in such a way as to disadvantage them with respect to competitors delivered through other platforms.

*PROPOSAL 5 – DAB SOUND QUALITY*

The technical aspects of this proposal are a matter for engineering-qualified respondents to address. That said, we do find it somewhat curious that a forward-looking consultation in the emerging digital broadcasting age from a state-of-the-art statutory regulator should be considering approval of a retreat from stereo into mono to liberate spectrum/capacity!

Given the continuing pace of developments in encoding and compression technologies, our lay view is that such provisions may be as unnecessary as they appear retrograde.

*PROPOSAL 6 – COMMUNITY RADIO*

Both public in purpose but generally of insufficient audience appeal to be of much interest to many commercial partners, we have commented in previous consultations of the quite narrow gap which we consider such stations occupy.

We have some reservations about community stations' output, as we perceive a significant reliance on listener-generated content, whose provision we consider unlikely given their choice of online media channels.

However, we strongly support the proposed provision to prevent undue dominance by a single funding source. We also suggest that the 1990 Broadcasting Act's exclusion of 'political bodies' should be clarified to prevent campaigning or pressure groups (perhaps also masquerading as NGOs or charities) holding community radio licences.

We would be happy to provide further information or comment as required.

Yours sincerely

**Bob Wootton**  
*Director of Media & Advertising*