

Peter Davies
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Ofcom
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3 October 2007

Dear Peter

Thank you for your letter of 19th September.

I promised you a response after our board meeting on 20th September. We are grateful for this opportunity given that Ofcom's announcements in November - especially with regard to localness - will have a defining impact on the health and prosperity of Commercial Radio for the next few years. In that spirit, I hope you will understand the tenacity with which we have been campaigning.

We have made it clear that we do not believe that regulatory intervention is required to secure the provision of local material. There is no evidence of market failure in this regard. Indeed, stations typically over-deliver on regulatory requirements. Instead, we have argued that stations should be allowed freedom locally to determine the best ways to provide local material.

While we hope that the eventual desirability of co-regulation of radio's content will find support in Ofcom's forthcoming announcement, we recognise that Ofcom is keen to implement an interim solution on localness, as are we, whilst long term discussions on this issue take place. To that end, we have engaged the full RadioCentre board on a detailed response to Ofcom's specific proposal of a tiered local structure.

You consulted on a model, which proposes that small, medium and large stations should broadcast 4, 8 and 13 hours/day of locally made/produced content, respectively. We recognise that, for very small Commercial Radio stations, this proposal does represent a significant reduction in the number of local hours they are currently required to produce. We welcome this. However, we firmly believe that flexibility is needed right across the spectrum of stations to secure the commercial viability, quality of output and audience appeal of the sector as a whole.

We all agree that localness is important to our listeners. Indeed, we believe that to lose localness would be to lose listeners. In the commercial world, we obviously cannot afford to do that. However, it is also clear that quality of output is of greater importance. RAJAR is quite clear in this regard: BBC National networks alone account for 44.5% of total radio listening, against 32.3% for local Commercial Radio. It is against those BBC stations that every local commercial station must compete daily, on terms that are heavily skewed in the BBC's favour. Few local commercial stations have the resources to recruit the kind of talent, or produce the kind of programme, that can compete with the likes of Chris Moyles, Jeremy Vine or Chris Evans. Indeed, even if a commercial station did have this kind of resource, the reality is that this kind of talent is rarely available based outside of London. And even where such talent is available, local or regional stations often present less attractive opportunities to the talent.

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So, although listeners value localness, they clearly also value the calibre of talent and size/quality of production resource that only the BBC has the ability to deliver to all parts of the country. The only way we can hope to compete effectively with the BBC's content and deliver localness as a compelling point of distinction, is to have the flexibility to concentrate our resources. This should be in a way that enables us to cater for our audience's needs with new and innovative quality programming, and which also maximises the impact of our local content every weekday.

We believe that it should be possible to modify the 4-8-13 hour structure to allow all stations to make the best use of their limited resources and thereby ensure that the local content that we do produce is of the highest quality.

A small station that is required to produce 4 hours/day of local content in peak time is expected to spread its resources thinly across two peak shifts (which typically last for only 3 hours - either 6am, to 9am or 4pm to 7pm). Whilst this may secure local output twice in the day, it prevents those stations from concentrating their resources on the dayparts where they believe their localness can have the greatest impact. We would suggest a single shift of 3 hours at some stage during daytime (to be decided by the station) would be far more appropriate.

Equally, for a larger station, a requirement to deliver 13 hours/day of local content (10 hours during the 0600-1900 period) self evidently spreads limited resources thinly. The quality of local output suffers as a consequence. We believe that quality of local content is more important than quantity, and that listeners would place greater value on high quality local output at certain times of day, than an average quality output all day. Commercial Radio could then have the best of both worlds: quality programming to compete effectively with the BBC, but with something the national BBC stations can't deliver - local output at the relevant times of day.

As well as boosting overall quality, the ability to focus local resources also creates the potential for greater creativity and depth in local output. Localness could be so much more than just news, weather or travel, but it takes a concentration of resources and effort to achieve this. Commercial stations would love to be able to tackle local issues of interest to their audiences, debate local topics and engage listeners in discussion.

So, we propose a simpler two-tier approach that is designed to deliver a higher quality and broader range of local output. Smaller stations (with MCAs of 500,000 or less) and AM local stations should be required to deliver a minimum of three hours per weekday of locally produced and presented content. Stations should be able to schedule these hours as they see fit, based on their view of their local audiences' expectations and where they feel they can make the greatest impact.

Larger stations (with MCAs of 500,000 or more) should be required to deliver a minimum of seven hours per weekday of locally produced and presented content. This would allow stations to deliver their localness commitment in any combination of three or four hour programme blocks. In many cases, stations will feel that the traditional peak hours of breakfast and drivetime are the best times for localness, and seven hours allows them to deliver local content at these times. Larger stations with access to higher calibre local talent may prefer to schedule that talent to make localness their key point of difference, going up against Moyles and Wogan in the most commercially valuable segment of the day.

Other stations may feel that their local resources might be better concentrated during the middle of the day. (It is notable, for example, that Radio 1's flagship Newsbeat programme is broadcast at lunchtime, and some stations may want to offer more localised competition at this time). This would be sensible for groups that want to compete with national BBC stations during breakfast but could not secure national calibre

talent in their area. Localness might therefore be more sensibly delivered for these stations between, 1000-1400 and 1600-1900, for example.

We would like to emphasise that it will be likely that most stations will choose to exceed the minimum quota, as is current common practice. Stations will choose what is best for their listeners because in the commercial world, delivering audiences is paramount. Popularity and local relevance is what local Commercial Radio sells to advertisers and sponsors.

We believe that our response is very constructive. While in principle we have never accepted that regulating locally made/produced hours is a good proxy for securing delivery of local content, this is a pragmatic response, recognising views from all stakeholders (including Ofcom) and all parts of the industry. It retains the basic rationale and structure of Ofcom's proposal, but modifies it in favour of the listener – by promoting quality and depth of content over quantity. We hope that Ofcom will recognise the benefits of this proposal to both listeners and the industry.

It might be sensible to plan a review to start within two years to check that listeners are pleased with the changes that are eventually proposed. We would support this, especially if this review were to revisit the benefits of a co-regulatory model based on outputs.

This letter is co-signed by all the RadioCentre board and the Chairmen/CEOs of the major holding companies represented on the board. All of us sincerely hope that Ofcom will acknowledge the considered input we have all made into the "Future of Radio" consultation in good faith.

Yours sincerely,



Andrew J Harrison
Chief Executive, RadioCentre

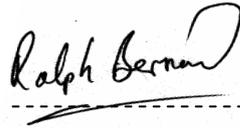


Paul Brown CBE
Chairman, RadioCentre

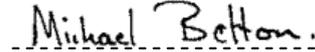
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Lord Currie, Chairman, Ofcom

RadioCentre Board

Ralph Bernard CBE
Chief Executive, GCap Media Plc



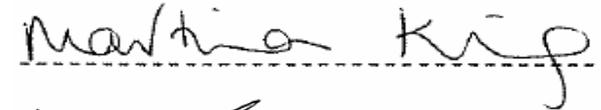
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Chief Executive, Lincs FM Group



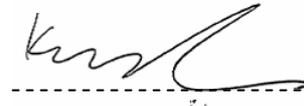
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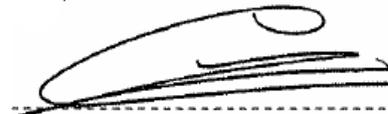
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