Review of TV airtime sales rules

A submission from the Ofcom Advisory Committee for Scotland (ACS)

ACS notes that Ofcom is now reviewing the way TV airtime is sold. ACS recognises the fragmentation of TV audiences as viewers have increasingly had access to more TV channels. It is also highly aware of the pressures on broadcasters caused by the recent downturn in the UK economy. In such circumstances, a relaxation of the rules for conditional selling and advertising minutage for national advertisers might seem appropriate. It is recognised that UK media independents negotiate bulk media deals on behalf of their clients and apportion airtime and discounts as appropriate.

However, it is of concern to ACS that a blanket relaxation of these rules may be detrimental to local advertisers and buying points interested solely in buying airtime in the Scottish TV marketplace.

There is a precedent for the exploitation of airtime availability in Scotland where access to premium programming and cost of local airtime was both maximised and minimised according to the success of increasing STV’s share of UK Network airtime revenue. For example, when the ITV network achieved a significant year-on-year growth in revenue and STV attracted a higher than expected share of this revenue, local advertising availability would be reduced to cater for other UK advertisers paying higher rates for specific programmes and dayparts. Therefore, a local slot previously allocated to a programme such as Coronation Street (1929/19.45/19.57) would be pre-empted and moved to a much less popular time such as 17.40. Consequently, coverage in respect of particular audiences could be reduced dramatically. In addition, a form of conditional selling was attempted when STV was responsible for selling Channel 4 airtime in the 1980s.

The current marketplace in Scotland has access to a limited amount of ‘macro’ airtime on Channel 4 and 5. Macro airtime is the advance allocation of slots in commercial breaks available for regional advertisers. This allocation is dependent on the expected share of network revenue and has to be booked by regional advertisers well in advance of normal deadlines. Therefore, an advertiser who only has access to this airtime is at a disadvantage as it is unlikely to achieve comparable coverage to STV over an equivalent period because of lower audience delivery, lack of overall slot availability, and the limited ability to buy appropriate programming. This will result in reducing the cost efficiency and effective impact of the advertising campaign.

STV is distinct from ITV but it still relies on the ITV sales network for its share of network advertising revenue. This system is of concern to STV as it has little influence on the share it receives of advertising and sponsorship revenue negotiated on its behalf. In recent years it has attempted to make up a perceived shortfall in network revenue through local macro (e.g. STV transmission area) and micro (e.g. Glasgow transmitter area) advertising sales revenue. The sale of this airtime has been competitive to alternative media such as local radio. However, ACS is concerned that a reduction in commercial minutage may reduce the availability of premium programming for local advertisers or that access may be at prohibitive rates as quality programming and discount will be tied into deals with UK-wide buying points.

ACS welcomes the proposed abolition of CRR (Contract Rights Renewal) as this is considered to be an outmoded model in the current market place. It was established to protect advertisers from a potential monopoly when Carlton and Granada merged to form ITV plc. It allowed advertisers to roll over their contracts annually with appropriate adjustments if ITV’s audience share diminished. With the growth of UK alternatives this mechanism can be argued to be no longer necessary. However, it should be noted that removing this safeguard, combined with a blanket relaxation of rules governing minutage and conditional selling, may further limit airtime availability to local advertisers as UK-wide buying points negotiate group deals on behalf of their clients. In addition, as STV currently does not have subsidiary channels on satellite and cable and these would not be a viable proposition for local advertisers.

A further concern for ACS is the potential relaxation of cross-media ownership. Were STV able to own companies in other sectors of the media such as press and radio, it would potentially have the opportunity to sell conditionally across the spectrum. For example, it could sell airtime at a competitive rate only if an advertiser is also willing to spend money on stv.tv or a wholly owned newspaper network. Some years ago STV owned the Glasgow-based Herald newspaper group and also held a significant stake in Scottish Radio Holdings. If this were the case in the current marketplace, a monopoly could be created in areas such as Strathclyde. This would limit the options of local media buyers to buy effective advertising campaigns within the affected areas.

ACS asks that these points be given due consideration when Ofcom debates these issues. The point is to ensure that local advertisers continue to have access to TV airtime and quality programming at market rates.

Ofcom Advisory Committee for Scotland

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