



The Mobile Broadband Group

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6th May 2010

Susan Naisbitt
Ofcom Content and Standards
Riverside House
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London SE1 9HA

Dear Susan

Proposal for setting of regulatory fees for VOD services

As you note in your consultation document, the Mobile Broadband Group (“MBG”) has concerns about the proposed flat fee structure to be charged to VOD service providers for ATVOD regulation, particularly when it is set at £2,500 across the board for the first fifteen months.

The mobile content market is characterised by a lively and active market of small, medium and large actors producing, and having editorial responsibility for, innovative and popular content for the mobile platform. The MBG has made no assessment of which or how many of these services might fall within the scope of the AVMS regulations. However, bearing in mind that no-one is quite clear as to their exact scope yet, we have to assess the Ofcom/ATVOD proposals on the basis that some may be covered and comment accordingly.

Approximately 70%¹ of businesses in the UK have turnover of less than £1m. Most of these would be happy to make a profit of £50,000 and to such businesses a fee of £2,500 would be considered nothing more than a 5% EU regulatory tax which delivers no value to them and very little, if any, to their customers. The MBG suspects that the weighting of small and new companies in this particular

¹ Source: UK business barometer

sector is even greater than the UK average and, as such, the proposed flat fee represents a disproportionate administrative burden and barrier to market entry and innovation.

The MBG continues to advocate a more equitable approach and one that is more similar to comparable regulatory models (e.g. IWF). Perhaps a variation of option B, whereby there is a modest flat fee (around £200), with the balance being made up with an extra payment, depending on whether the organisation is in a small (no extra fee), medium or large band (banding would be a less administratively burdensome approach than measuring exact turnover or audience). Small, medium or large would be set by reference to audience share not revenue. It may be a slightly more difficult task to set fees on this basis and perhaps more likely to give rise to a deficit in funding in the first year. In which case, it would more appropriate for ATVOD's initial reserve funding to be available for longer and thus allow them to establish a funding structure that is more equitable and proportionate for this market.

In the absence of a lower start-up fee for smaller companies, we suspect that there will be high levels of avoidance, which will in turn drive up ATVOD's administrative costs. The MBG urges Ofcom/ATVOD to reconsider its approach.

Yours sincerely,

Hamish MacLeod

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