

BBC Response to Radio: the implications of *Digital Britain* for localness regulation

The BBC welcomes the opportunity to respond to this consultation. The regulatory framework applicable to the provision of local content on radio and to multiplex operators is an issue of considerable importance to us.

In general, we strongly welcome Ofcom's moves to ease the financial strains on commercial radio resulting from reductions in advertising revenues, by relaxing the regulatory environment within which commercial radio operates. Financially sound commercial radio providers are crucial to ensuring a healthy, competitive radio sector with a plurality of providers of content such as news.

The BBC wishes to make just two specific points in relation to this consultation.

Provision of local content

First, we support Ofcom's proposal to relax the requirements on commercial radio with regards to local production of local content.

While the BBC supports plurality of local content provision and hence local content continuing to be a feature of the output of local commercial radio, there would appear to be no reason why content for any particular local area should have to be made in that area - particularly in the light of advances in content production and communications technology.

It is possible that consolidation of the production of local content may lead to some such content being less 'local' in nature. However, this needs to be considered against the fact that production consolidation may allow commercial radio to capture cost-savings (for example, due to economies of scale in the production of local content) which will enhance the commercial viability of provision of this content, and hence increase the likelihood that local content continues to be provided by commercial radio in future.

The impacts of creating a regionalised national multiplex on local operators

The second point the BBC wishes to make is that while we support Ofcom's Proposal 2, "creation of a new national multiplex from existing regional multiplexes", we are concerned about the impacts on local multiplexes owners and operators – which include commercial radio station providers.

Given that the costs associated with distributing a national radio station will be lower via regional multiplexes than local multiplexes (as the former requires fewer transmitters at higher signal strength), where at least a portion of these lower costs are reflected in distribution service prices, quasi-national radio stations currently distributed via local multiplexes will have an incentive to transfer their services to regional multiplexes.

The transfer of services from local to the regionalised national multiplexes would reduce demand for the distribution services of local multiplexes; in some cases, BBC local radio and the small number of remaining 'stand alone' local commercial radio stations might be the only remaining multiplex customers. Multiplex providers will need to recover their costs from fewer customers (or attract new customers, if possible), but if they raise their prices to their remaining customers, demand will fall. Conversely, the BBC needs commercially viable local multiplex operators in order to provide local radio services, but significant increases in price for distribution services makes local radio services less viable.

In the light of the above, and given the existing financial strains on commercial radio, the BBC would urge Ofcom to consider implementing Proposal 2 (only) once it is satisfied that the financial viability of local multiplex operation is assured.

23 October 2009