

CRR may not be forever, but it is for now

ISBA has been following with great interest the recent calls by ITV's management for advertisers to 'choose' between Contract Rights Renewal (CRR) and allowing the broadcaster to continue high levels of investment in programming. ITV's argument has been that by limiting ITV1's ability to leverage advertising revenues, CRR is making the company unable to continue to invest heavily in programming to attract larger audiences.

ISBA understands the argument and is consistent in its support for 'a strong ITV' for the sake of viewers, advertisers and UK commercial broadcasters alike, especially in the context of a consistently well-funded BBC. ISBA fully recognises the importance of ITV being able to maintain high levels of programming investment in ITV1 to deliver this.

That said, for the foreseeable future at least, CRR remains crucial to securing effective competition for advertiser budgets in the overall TV airtime sales market. The system was proposed by senior ITV executives and developed by the Office of Fair Trading, the Competition Commission and Ofcom to enable the merger of Carlton and Granada into a single company in 2003 – a company whose flagship channel accounted for over 50% of the airtime sales market.

Since the merger, ITV1's share has declined but remains well over 40%. This still represents an extremely high market share by any standards, with Competition Authorities tending to register concern at market shares of anything over 25%.

ISBA has always understood that in the longer term, if ITV1's market share continues to erode, there will inevitably come a time to review the need for CRR. However, importantly, ISBA and the overwhelming majority of its members, do not believe such a situation exists in the immediate future. They are nevertheless keen responsibly and fully to engage in the issue and discussions of how best to strike the difficult balance between short- and longer-term issues. This will be complex, because the only short-term benefit of removal of CRR would be to ITV, as it could once again leverage higher prices for its (falling) audiences.

ISBA is particularly concerned that there are as yet no guarantees that any increase in ITV1 revenue that would result from removal of CRR would be reinvested in programming. It is a further assumption that any increased investment would halt, let alone reverse, the channel's audience decline. Given the long gestation period of certain key audience-driving programme genres, there could also be a considerable time lag between adoption of any such policy and its realisation.

Even if such investment were promised, no independently verifiable metrics are in place for validating and monitoring the extent of that investment. Further, the announcement of a significant further return to shareholders and a reduction in forward programme investment at

ITV's recent interim trading statement has strengthened many advertisers' suspicions that any increases would more likely be diverted from attracting viewers.

Such a situation certainly would not justify the increased costs to advertisers which would inevitably result from CRR's abolition. In this context, ISBA is re-stating its support for Contract Rights Renewal (CRR) and continues to maintain close ongoing dialogue with the senior management of ITV, the Competition Authorities, Ofcom and the 'Independent Adjudicator' whose role is to ensure fair and effective application of the CRR remedy.

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