



The Rt Hon Lucy Frazer KC MP – Secretary of State  
Department for Culture, Media & Sport  
100 Parliament Street  
London  
SW1A 2BQ

10<sup>th</sup> May 2024

Dear Secretary of State,

### **BBC proposal to run advertising on UK podcasts and its disastrous impact on the sector**

We are writing to you as a coalition of a wide range of commercial media and content businesses, including broadcasters, audio producers and publishers, to inform you of our deep concern at the BBC's plans to introduce advertising around its audio content in the UK for the first time.

Each of our businesses relies on advertising, and other forms of earned revenue, to employ talented creative individuals to produce products that the UK public choose to consume. None of our businesses benefit from guaranteed public funding for the production of media.

The BBC's proposal, as set out in its Annual Plan on 28<sup>th</sup> March 2024, is to directly compete with commercial businesses by introducing advertising in the UK on its podcasts and on-demand audio, initially on third-party platforms such as Apple Podcasts and Spotify. This would be a very significant departure from the existing framework, where the BBC's content is funded by the licence fee and provided free of advertising across all platforms, alongside commercially funded output from other providers.

The approach being proposed by the BBC would fundamentally undermine this existing model, creating a situation where the BBC would receive both licence fee income and advertising to fund new first-run audio content. The BBC has vast funds to create content for its audiences and is not driven by commercial success, but instead by a mandate to act in the public interest, to inform, educate and entertain (which it must do without having an unnecessary adverse impact on competition). The impact of it extracting audio advertising funds from the nascent UK podcasting market would be disastrous, especially for the numerous small independent podcast producers.

These changes are highly likely to have a significant adverse impact on fair and effective competition in the UK podcast market, while adding little to BBC budgets as a proportion of revenues guaranteed by the licence fee. Podcasting has seen strong growth in recent years, with the choice and quality of content available helping to drive more listening and higher revenues. There are a wide range of businesses investing in this sector, including small independents, but advertising revenue is already underdeveloped compared to other countries.

Total revenues generated by podcast advertising in 2022 were £76m, which is dwarfed by the BBC's total income of £5.7bn. The BBC's presence already distorts this market when compared to almost all other countries. This proposed change will make it even more difficult for producers, broadcasters and publishers to generate a reasonable return on their investment, while generating income for the BBC that is unlikely to make a significant contribution to its overall budget. The BBC's approach also raises a number of wider fair trading and competition issues due to the impact on third-party podcast platforms, from major tech businesses to independent podcast apps. Forcing users to migrate to BBC Sounds if they want to hear content ad-free also has the impact of putting BBC Sounds at a distinct advantage as a platform, having an unfair competitive advantage when it comes to competition between listening platforms.

We appreciate that the BBC and government will wish to review different options for funding BBC content in future, beyond the current licence fee period up to 2027. However, we do not believe that such significant changes should be introduced incrementally and by stealth. Funding new first-run BBC content in this way is uncharted territory in the UK. Monetising television content on UKTV is not in any way comparable as this is archive content, funded differently and run at arm's-length from BBC public service – UKTV is solely set up to generate revenue for the BBC, while audio is public service broadcasting and cannot be seen through the same lens. Making such a significant change should instead be part of a much broader debate on the role, remit and funding options for the BBC.

A move towards advertiser funding for the BBC risks setting a dangerous precedent. As the government's formal BBC funding review continues, observers may reasonably question if some BBC audio services could be funded by advertising, why shouldn't more BBC services or even the whole of the BBC be funded in this way? Yet evidence submitted to the review (and covered [recently](#) in the press) highlights the devastating impact of a move towards advertiser funding, both on the BBC itself and the wider commercial sector that relies on these revenues for its survival. Put simply, the market is not big enough to sustain the BBC entering as a whole or part advertising-funded entity. Commercial operators, that add breadth, diversity and to whom millions listen every week, could genuinely be made unviable.

The BBC's Annual Plan includes only limited information on the proposals. However, while we await the specific details, the principle is clear and cause for significant concern due to the inevitable negative impact on consumers, licence fee payers and the UK's creative economy.

We hope that you will review this issue as a matter of urgency, underscoring our concerns directly during your discussions with the BBC and Ofcom. Crucially, it would be extremely helpful for the government to request that Ofcom conducts a review of the audio and podcast market in the UK, both the content itself and the platforms on which they sit, with a focus on the impact of the BBC.

We look forward to hearing from you shortly,

- Audioboom
- Bauer
- Channel 4
- COBA
- DMG Media
- Global
- Goalhanger

- Guardian Media Group
- ITV
- National World
- News UK
- Newsquest
- News Media Association
- Paramount / Channel 5
- Podmasters
- Radiocentre
- Reach
- Sky
- Telegraph
- Tortoise