



BBC Charter Review

A paper by the Commercial Radio Companies Association

CRCA

The Commercial Radio Companies Association (CRCA) is the trade body for UK commercial radio. It represents Commercial Radio to Government, Ofcom, copyright societies and other organisations concerned with radio. It manages the Radio Advertising Clearance Centre which clears national and special category advertisements prior to broadcast. CRCA also jointly owns Radio Joint Audience Research Ltd (RAJAR) with the BBC and was instrumental in the formation of the Digital Radio Development Bureau, a company owned by UK digital radio multiplex owners.

CRCA members include national commercial radio stations, as well as most commercial local and regional stations. They account for 45% of all the radio listening in the UK and around three quarters of local listening. CRCA promotes the importance of commercial radio and plays an active role in promoting conditions that will enable it to thrive into the future.

About this paper

This response to the DCMS Charter Review document published in December 2003 considers the purposes of BBC Radio in an increasingly fragmented UK broadcasting environment and how these purposes should be funded and regulated. Chapters 1 to 4 give an overview of the issues that CRCA member stations believe need to be taken into account. Chapter 5 attempts to answer the questions in the Review document but from a radio perspective.

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Executive Summary

CRCA believes that BBC Radio's purpose, funding and regulation are key to Charter review.

Purpose

- We believe that the BBC Radio's different funding ought to mean that it has a different purpose from that of commercially funded radio broadcasters. We accept that competition between the BBC and the commercial sector has value for both sides and thus listeners in the middle. But we think there is a significant difference between competition and mere imitation or duplication. Licences for BBC Radio services should include format descriptions that require BBC popular music stations to complement rather than imitate commercial popular music radio services both during peak-time (0600-1900) and outside it.

Regulation

- Whatever arrangements are arrived at for the future regulation and funding of the BBC, they should be undertaken by an independent regulator able to respond to changing communications market conditions. If this is not done, the new arrangements should be for only five years or with a break for re-examination at five years.
- A BBC Board should be responsible to the regulatory body for the running of the BBC and the meeting of the relevant body's licence conditions and codes.

Funding

- BBC Radio should continue to be publicly funded but the decision and its justifications on how much money should be assigned to BBC Radio should be entirely transparent and should take into account factors outside the BBC including the success of, and provisions being made by, commercial radio.
- We do not think BBC Radio should have access to commercial funds of any kind, including those used to pay for BBC marketing activities or events whether or not broadcasts are made from them (e.g. the sponsorship by Renault of the Radio 2 Proms in the Park). In addition, the BBC should not broadcast the names of those sponsoring off-air events or things independent of the BBC (for example, the "RBS Six Nations Championship" should be merely "The Six Nations Championship" when mentioned or covered on BBC Radio).

Chapter 1

Introduction

- 1.1 The shape, size, nature, funding and regulation of BBC Radio are important to UK Commercial Radio. Commercial Radio people admire and respect much of BBC Radio's output. Commercial and BBC Radio frequently co-operate in the interests of the entire radio industry via the Digital Radio Development Bureau (DRDB), the Radio Joint Audience Research Company (RAJAR) and the Radio Academy.
- 1.2 Commercial Radio's comments on the DCMS's "Review of the BBC's Royal Charter" flow from its desire for greater predictability and precision of scope in BBC Radio activities; a proper balance between ratings and the kind of radio programming that is worthy of public funding; and greater accountability and effectiveness from BBC Radio's regulatory framework, whatever that may eventually be.
- 1.3 We think it is reasonable to expect BBC Radio to be regulated no more lightly than Commercial Radio in both content and competition terms. In addition we expect BBC Radio's funding to respect the principles of the EU state aid rules. These issues are not covered in the DCMS Charter Review document and we look forward to discussing them later in the Charter Review process once the outcome of Ofcom's review and possible definition of public service broadcasting has been published.
- 1.4 Thanks to digitisation, UK broadcasting is undergoing swift structural and content change. Radio is no exception. For example, there are now more than 50 terrestrial digital radio services available in London alone, half of them digital-only. Whatever arrangements Government imposes on the BBC will become swiftly out of date. Given the speed of change, it would be sensible to provide for further reviews at set intervals.

BBC Radio's size and resources

- 1.5 BBC Radio is huge. It dominates national radio in a way that its television services do not dominate terrestrial television. BBC 1 and BBC 2 face national commercial equivalents in the form of ITV, Channel 5 and Channel 4. Successful though the three analogue, commercial national radio stations are, only one is on FM. Not only are they fewer they are also much newer than the BBC's core national radio services. National services inevitably achieve the lion's share of national press attention and hence Westminster and Whitehall interest.
- 1.6 Here are the key facts about BBC Radio's scale.
 - It achieves 52% of all UK radio listening;
 - owns 70% of available FM broadcast spectrum;
 - regulates itself;

- has 5 of the available 8 national analogue radio services;
 - has 4 out of the 5 available national FM radio services;
 - owns 6 analogue services and five digital-only services audible in almost every part of the UK;
 - receives around £348,000,000 from the television licence fee for its 54 national, regional and local analogue and digital radio services;
 - employs an average of 200 people for each one of its services;
 - enjoys the cross promotional support of the two BBC national television channels;
 - owns all the services on its own national digital radio multiplex;
 - and provides all its radio services via all digital platforms including Freeview, the national terrestrial television multiplex which is controlled by the BBC.
- 1.7 None of these advantages is available or applies either to a commercial radio company or to Commercial Radio taken as a whole. In addition, BBC Radio is increasingly a vehicle for national commercial sponsors to publicise their brands and involvement in sporting and other activities while BBC Worldwide owns 3 digital only television services; has close relationships with other digital TV channels and owns 8% of the UK magazine market.
- 1.8 The DCMS consultation document says that the review of the BBC Charter "has set one fixed point - that the outcome ... will be a strong BBC...". Commercial Radio does not seek a weak BBC but submits that some radical reorganisation is now required. The notion expressed over recent years in some quarters of "fair" or "necessary" market distortion in order to ensure a strong BBC has, we believe, gone too far. It is beginning to act against the media interests of citizens and consumers by undermining the competitiveness and creativity of commercial broadcasters. Weakening that part of UK radio responsible for wealth creation is not helpful to the UK at large and does not enhance listener choice.

The balance between BBC Radio and Commercial Radio

- 1.9 Commercially funded UK broadcast media are tightly regulated. The aims of the regulation are admirable: plurality of ownership and diversity of output. The end result has generally been regarded as better for citizens than the less regulated commercial broadcasting industries found elsewhere in the world.
- 1.10 No other country has a publicly funded broadcaster to match the BBC in terms of its freedom of manoeuvre, size, cultural influence, resource, creativity or funding. These benefits are often described as key to a national asset but their protection, maintenance and development have a price.
- 1.11 Much is made of the value of competition between the publicly and commercially funded UK media sectors. There is no doubt that much of

BBC Radio's current provision has been derived from Commercial Radio ideas and Commercial Radio has benefited from the need to maintain creativity and investment. However, the value of setting publicly funded radio services against commercially funded ones becomes eroded if peak-time output across the services becomes too similar or if one side begins to dominate too much through inequality of funding or regulation or if its remit becomes blurred. Balance is lost if there is too much financial support and regulatory freedom on one side and too little opportunity and/or too much regulation on the other.

Commercial Radio's value

1.12 Commercial Radio is a valuable national asset and a sounding board for opinion. It offers alternative voices to the BBC's and reflects life in the UK both at national and local level. It is especially valued by UK citizens between 18 and 45. The main points to bear in mind about Commercial Radio are as follows.

- Given the concentration by many of its services on younger listeners, it achieves a remarkable 45% share of overall UK radio listening and, less surprisingly, 62% of all listening by under 35s. Commercial Radio's share of children's listening is 76%. Local commercial radio has 77% share of all local radio listening (which itself comprises almost 50% of all UK radio listening).
- There are over 260 local analogue radio services which generate local employment for around 8,000 people.
- Over the last completed financial year alone, it has yielded approximately £30,000,000 in corporation tax to the exchequer.
- It has been the fastest growing medium over the last decade and despite falling revenues over the last difficult three years, has still managed to increase its share of display advertising expenditure.
- This is because its advertising works as the Radio Advertising Bureau's website demonstrates (www.rab.co.uk).
- It is a £600 million per annum business whose income has enabled it to invest in new digital and analogue services.
- It has invested over £40,000,000 in digital radio infrastructure and content.
- It pioneered charity broadcasts and auctions and continues to support local charities across the UK with fund raising and coverage every year.
- Commercial Radio continues to be innovative. It pioneered sports and general phone-ins, broadcasting to ethnic minorities, genre specific radio stations, and the mix of light music with current affairs and information which is now almost universal. All these initiatives have been imitated one way or another (and well) by BBC radio: the sincerest form of flattery.

1.13 Commercial radio stations are vibrant, creative, closely attuned to the geographical or interest communities they serve. They are fiercely competitive, innovative and, most important of all, socially valuable,

encouraging participation or interest in local life. The competitive power of a generously publicly resourced state broadcaster should not be allowed to undermine this because of regulatory or competitive advantage or access to excessive resource.

Chapter 2

The Purpose of BBC Radio

- 2.1 There is no doubting the popularity of BBC Radio services. However, if the need for publicly funded radio is accepted, it follows that the need for the necessary public expenditure must be justified and its allocation must be transparently handled to meet the clearly defined need.
- 2.2 A definition of the purpose of publicly funded radio that should then be met by BBC Radio services is sorely needed. We shall argue later that this needs to be arrived at and regulated independently from the BBC. At the moment, BBC Radio remits are often blurred and the behaviour of BBC Radio services is sometimes driven, it seems to us, by a desire to maximise audience share or exclude or price-out competition.

Blurred remits

Commercial behaviour

- 2.3 CRCA is concerned by the increasingly commercial approach being taken by the BBC. We submit that the appointment within the BBC of so many from the commercial media, marketing and advertising sectors and the creation of BBC Worldwide as a company with numerous commercial relationships and a growing repertoire of businesses, have substantially changed the way in which some elements of BBC Radio behave.
- 2.4 The BBC's commercial behaviour narrows the commercial opportunities on which Commercial Radio relies. Part of the BBC's dominance in national event involvement and coverage flows from the BBC's ability to credit the sponsors of off-air independent events – The “Barclays Premier League” for example. Thus the BBC is offering not only large licence fee enabled payments for coverage rights that Commercial Radio is unable to match, but also free commercial exposure on powerful national services in a comparatively uncluttered programme environment. BBC coverage has become an important bargaining chip between third parties and sponsors, thereby disadvantaging commercial broadcasters who are unable to offer similar ‘solus’ promotion to sponsors. This came to a head in radio recently with the proposal that BBC Radio 1 should broadcast the ‘Coca Cola Chart’ because the list of record sales (which Coca Cola sponsors) is independent of the BBC's chart broadcast. Pressure from Commercial Radio has persuaded the BBC to row back from this but, we submit, the BBC should never have been in this position in the first place. Exposure of these sponsorships has no economic or

other value to licence fee payers and serves only to provide rights advantages to BBC Radio and publicly subsidized benefit to advertisers.

- 2.5 The subvention from the television licence fee is (and should be) sufficient for BBC Radio services to meet its obligations. There is no need for BBC marketeers, frequently recruited from the commercial sector, to arrange major off-air sponsorships of broadcast events such as Vodafone's involvement with Radio 1's "One Big Sunday" or Renault's involvement with "Proms in the Park". Such activities restrict the revenues available to Commercial Radio and colour the nature of the events themselves.
- 2.6 The growing tendency for BBC Radio to come to exclusive deals with rights owners merits scrutiny. A recent example would be the four year exclusive radio coverage rights for the Scottish Premier League secured by BBC Radio Scotland. Apart from raising the price that other radio broadcasters must consider paying in the future, exclusive deals lock out competitors. CRCA does not believe this is a proper purpose for publicly funded broadcasters to pursue.

Pursuit of audience share

- 2.7 In addition to developing commercial relationships with companies which wish to benefit from profile on BBC services, we think the BBC is behaving increasingly commercially in its broadcast content. In particular, we think there is a need to regulate independently the output of the publicly-funded popular music radio broadcasters, BBC Radios 1 and 2.
- 2.8 The BBC has engaged in a relentless drive to maximise its audience share, at the expense of commercial broadcasters. In its last annual report, the section devoted to radio opens with a statement about its market share. It has measured its success, and therefore its value, in terms of audience share achieved. We believe this is misguided as it misrepresents the BBC's true value (the provision of choice and excellence irrespective of share). The value of the BBC must be determined in more qualitative terms. These are about its core objectives as a publicly funded broadcaster – its contribution to the country's social and cultural development, its educational role, and its influence on national debate and discussion. Its success should be determined by how well it achieves these objectives rather than by how much audience share it has won from commercial broadcasters, particularly if that share has been won by replicating commercial services. Much of this cannot be quantified or measured, and it should be for external regulators to determine whether or not the BBC is achieving these goals. However, some public service objectives are both quantifiable and measurable. It is possible, for example, to determine how much of BBC Radio's specialised music output is played during peak daytime listening hours, or how much of Radio 1's daytime music output is of British origin. Only by determining what the BBC's true public service objectives are, and implementing a method of recording their

success against those objectives, can we move away from the inappropriate situation of measuring the BBC's achievement by ratings alone.

- 2.9 BBC Radios 1 and 2 provide both marketing and talent development devices for the music industry. We recognise that the UK record industry prizes its relationship with the only available nationwide FM popular music services and is pleased that those services are publicly funded. However, BBC Radios 1 and 2 are also principal broadcasters of current, recent and emerging hit records. During the 1996 Charter review, BBC Radio 1 developed and claimed a "public service" status in the interest of survival. It promised more documentary, more new, cutting edge music and more live music. Despite this, however, it continues to behave in the way commercial radio does by seeking ratings by day and reputation by night and at less popular parts of the weekend. Commercial radio has to do this in order to gain the advertising revenue it needs to survive. The BBC does not and should make available more of the different fare made possible by different funding during peak hours (0600 to 1900) when more listeners are available to listen.
- 2.10 The UK's most popular radio station is now BBC Radio 2. It is well managed and programmed and is home to the cream of the UK's radio personality presenters. In the late 90s, in a BBC document obtained by CRCA and sent by CRCA to DCMS, Radio 2 examined how it might move itself younger to regain the audience lost to commercial radio by BBC Radio 1. In the ensuing five years, Radio 2 has pursued this strategy and thus pushed programmes for older listeners into off peak or less popular hours, engaged the services of front-line entertainers popular with adults aged 25 plus and ensured a core of current and emerging pop hits throughout peak-time hours. This nationally available, warm, brightly presented, commercial mix of music without interruption by advertisements has proved hugely successful. Its audience share has risen to 16%, double that of Radio 1's. Almost single-handedly it has trimmed a vital 3% away from commercial radio's share of all UK listening. In doing so, it has most adversely affected the fortunes of medium and small scale local commercial radio stations which have traditionally adopted a similar classic and current hit music formula as the glue which cements their local news, information and audience interaction together.
- 2.11 At present, the BBC's flexibility and control over its output is unfettered. It produces 'Statements of Programme Policy' which, after initial approval by the Secretary of State, are then self-regulated and may be unilaterally amended at will. Thus, at present, Commercial Radio's principal competitor has the ability to change its formats to enhance its position in the market yet Commercial Radio has no equivalent right with its own stations. Not only can Commercial Radio not predict how BBC Radio services will change in the future, but it is also greatly restricted in its ability to respond when they do so. CRCA believes that the BBC should be subject to the same constraints as commercial radio, with externally regulated Formats ensuring that the BBC honours its commitments, thus

enabling non-BBC radio services to operate in an environment of greater commercial certainty.

Chapter 3

The Regulation of BBC Radio

- 3.1 The examples of behaviour cited in Chapter 2 indicate that better regulation of BBC Radio is needed. We believe that better regulation should mean independent, external regulation. It is also needed to deal with other aspects of BBC competitive behaviour.
- 3.2 Broadcasters are bound to behave in an aggressively competitive manner if left to their own devices irrespective of whether or not they are fulfilling a genuine public need in so doing. The BBC is so big and self-absorbed that it sometimes cannot see the damage it inflicts on those involved in commercially funded, wealth creating broadcasting.
- 3.3 Here is an example of what we mean. Oneword Radio is a digital commercial national speech service. It provides plays, stories and comedy in a different style to that in which BBC Radio had previously done so. The idea was and is that Oneword will do for the accessibility of spoken word what Classic FM has done for the accessibility and popularity of classical music on radio.
- 3.4 When it launched in early 2000 its most energetic shareholders were UBC and Chivers Press. At that point they each held approximately one third of the company's equity, the remaining stock being held by the Guardian Media Group and Heavy Entertainment, both of whom subsequently sold their interests to the remaining shareholders, leaving Chivers' successor and UBC as 50% shareholders.
- 3.5 In July 2001 BBC Worldwide acquired Chivers Press except for their interest in Oneword which then passed to Chivers original owners, the Hong Kong based conglomerate USI Holdings. This initiative not only removed one of Oneword's most active directors, Chivers' MD Simon Gibbs, it also replaced an enthusiastic shareholder with one that was decidedly uncertain about radio investments in general and digital investments in particular.
- 3.6 That same year the BBC announced its intention to launch 'Network Z' (which became the national BBC digital service "BBC Radio 7") with a proposed schedule that sounded very similar to that being operated by Oneword. In the event, the only significant difference between BBC 7 and Oneword appears to be that whilst the bulk of BBC 7's output is BBC produced, most of Oneword's is licensed in.
- 3.7 For two years after the departure of Chivers, UBC sought to encourage USI's faltering belief in the future potential of Oneword. Sadly this

ultimately proved impossible and in 2003 USI stated their unwillingness to continue the same level of support for a loss making operation. At the end of last year the board reluctantly took the decision to drastically reduce the investment in Oneword whilst a restructuring of the business was investigated. UBC's intention was to seek to acquire control of Oneword and then to restructure the financing of the service and to investigate possible adjustments to the nature of the service.

- 3.8 It is clear that the current weakness of Oneword's financial position as compared with its business plan, is principally due to a slower take up of DAB radio sets than had initially been anticipated. It is equally clear, however, that the two moves by the BBC have significantly aggravated an already challenging situation.
- 3.9 Whilst CRCA totally supports the opportunity for listeners to have increased access to the BBC's outstanding audio archive, we do not believe that the creation of a publicly funded competitive service to Oneword was the only way to achieve this. It may for instance, have been possible to license such material for broadcast by Oneword and or other commercially funded services. At the time of its creation, Oneword sought to serve a previously unserved market. At its inception there was no reason to believe that the BBC intended to launch its own service of all day spoken word entertainment. What has happened is that this market now splits its listening across two similar programme services thus diluting the number of hours that Oneword could reasonably have been expected to attract.
- 3.10 In simple terms, CRCA is concerned that because of the way it is funded and constituted, the BBC is able to move without financial risk, into areas of direct competition with commercial broadcasting ventures. In this case, it was able to combine its commercial muscle through BBC Worldwide with its unjustifiably protective attitude towards its own archive and launch a publicly funded radio service to the disadvantage of a commercial radio endeavour.
- 3.11 In June 2001 UBC made representations to the DCMS. These were unsuccessful. CRCA feels UBC should have been able to make its case to an expert, independent, external regulator.
- 3.12 The reader might be inclined to wonder whether the Oneword case might not have been dealt with by competition authorities. Indeed, the BBC challenged CRCA to take this route when we sought to raise the matter with them at the time. We believe that this response was wrong. The generous 1996 Charter Review settlement allows the BBC's commercial arm to use its profits to purchase an audio books company. Thus public money was not being spent so competition powers were only relevant to whether or not the purchase represented abuse of a dominant position in the audio book market not to whether it disadvantaged a commercially funded broadcaster or advantaged a BBC publicly-funded service.

- 3.13 Having noted why external regulation of the BBC is needed to create a more equitable regulatory balance between the publicly funded broadcaster and commercial broadcasters, we also believe that both the Government and the BBC would benefit from external, independent regulation of the BBC.
- 3.14 Because neither BBC management nor the BBC Governors can provide an external view, the Government (specifically the DCMS) has been left holding the ring between the BBC and its commercial competitors. The relationship creates close links between Government and the BBC which are distrusted by commercially funded broadcasters and the media in general.
- 3.15 Perhaps more significantly the current regulatory arrangements can undermine the BBC. It is difficult for the BBC to get on with its job while complaint handling is underway, because it has to deal with the complaint itself and take the consequences if its handling of the complaint is judged to be inadequate.
- 3.16 External, independent regulation of BBC Radio will ensure equal opportunity between broadcasting sectors and probably, as we will now explain, better value for money.

Chapter 4

The Funding of BBC Radio

- 4.1 BBC Radio should continue to be publicly funded. Public funding should remove commercial considerations from programme making and provision. This lies at the heart of the differences between BBC and Commercial Radio and extends audience choice. It is the source of BBC Radio's freedom (and, we would argue, duty) to provide output that advertisers would be unlikely to fund. The licence fee seems to CRCA to be the least bad way of publicly funding BBC Radio as the process is at arms length from Government.
- 4.2 In favouring the retention of the licence fee, however, CRCA suggests that an independent regulator should have broad oversight over how the licence fee should be determined and how efficiently it is managed and spent.
- 4.3 Between 1998 and 2003, total BBC income increased by 42.4% but total programme expenditure increased at a lower rate: by 28.9%. It is sometimes difficult to compare figures in BBC Annual Reports because accounting categories appear to differ from one year to the next, but less seems to have been spent on BBC Radio in 2003 than was spent in 1998, despite the introduction of digital radio. £436 million was spent on BBC Radio in 1998 while £348 million was spent in 2003. We understand there are significant exclusions (eg newsgathering and

copyright fees) from the 2003 figure and we note that, even so, it is higher than the total of the per-station figures in the DCMS Charter Review. In the same period, the number of people employed by the BBC's publicly funded services appears to have increased by 3000. This increase has been accompanied by a 22.6% increase (£148 million) in salary costs for those working in all BBC publicly funding broadcasting. Taken together, reductions in programme spend and increases in staff and payroll suggest to us that the BBC has been investing more on non-programming staff and activity related to publicly funded services than on the quality and range of its output.

- 4.4 We consequently believe that an independent body should be given the power to determine the level of the BBC licence fee on an annual basis. This body should have the interests of the licence fee payers themselves as its first priority. Since it cannot effectively perform this function without a broader involvement in the oversight and accountability of the BBC, it should be the same body that regulates the BBC's activities and output.

Chapter 5

CRCA's answers to key questions asked in the DCMS Review document as they relate to radio

- 5.1 In chapter 5, CRCA gives radio relevant answers to questions or groups of questions asked in the Review document. In doing so, the points made in chapters 1 to 4 are taken into account and are therefore sometimes referred to but generally not duplicated.

5.2 **'What do you value about the BBC?'**

(i) *What do you think of BBC (Radio's) contribution to the life of the United Kingdom and to the wider world? Should this change over the next decade and, if so, how?*

- The BBC World Service is generally judged to be an admirable investment by the UK Government in honest, fair and accurate coverage of worldwide events valued by a worldwide audience.
- BBC Radio has high editorial and creative values and competes vigorously with the Commercial Radio sector.
- Much BBC Radio output is complementary to that provided by the Commercial Radio sector.
- BBC Radio popular music-led services should increase the difference between themselves and Commercial Radio popular music-led services, particularly at peak-time (0600-1900).
- External regulatory controls are now required to ensure that BBC popular music services complement rather than imitate the commercial radio provision.

(ii) What value does BBC (Radio) add to the wider provision of public service broadcasting?

- BBC Radios 3 and 4 add much that the commercial sector would find hard to match. Classic FM and BBC Radio 3 are very different in their appeal and provision despite the obvious fact that they both broadcast classical music. There are some Commercial Radio competitors to BBC Radio 4 such as the two LBC services in London and the national digital plays, books and comedy service, Oneworld Radio. Some commercial radio services have a higher emphasis on speech than others: the Guardian Media Group's "Real Radio" companies for example. CRCA hopes that Commercial Radio speech-based services prosper into the future although it seems unlikely that any commercially funded model could match the publicly funded journalistic and creative resource brought to bear by BBC Radio 4.
- Both Radios 3 and 4 have universal coverage and BBC Radio 4 has both Long Wave and FM frequencies. This ensures a vital national link for news and information available to all.

(iii) How well has BBC (Radio) met its purposes over the Charter period? What evidence do we have that the way in which the BBC does this is successful compared to other broadcasters?

- The "purposes" of BBC Radio have yet to be precisely described (para 5.3 (xvi)) and need to be (para 1.3).
- The BBC has striven hard to match any commercial service or idea. It has added unnecessary risk to innovators in commercial broadcasting who never know when the better-funded BBC will imitate their fledgling format, idea or station.

(iv) What is it about BBC (Radio) that makes it unique? How do we make sure that it is distinct from other broadcasters? Are there better ways to deliver some of the contribution that we have traditionally relied on the BBC to provide?

- Aspects of BBC Radio are unique (para 1.6). These include its ownership of both radio and television stations (seven of them national); its national radio dominance of the FM band; its freedom of manoeuvre allowed by self regulation; its closeness to Government; and its generous public funding which pays for its deep, expensive talent and news resources, its rights ownership and its artistic patronage.
- These 'unique aspects' have advantages for the BBC but disadvantages for its competitors. Self regulation of the BBC's popular music radio services has allowed BBC Radio 2 to pursue audience share during daytime hours to the detriment of many medium and smaller local commercial radio stations (paras 2.9 and 2.10). These stations have long used the non-generic but current, widely appealing music output now adopted by BBC Radio 2 as the

bedrock which attracts listeners to stay with them in between the local news, information and informal, locally relevant interaction that they provide. Transparent, independent regulation of BBC Radio services would ensure that the wider health of the UK radio market as a whole would be likely to be considered prior to the re-launch of BBC Radio services. Clear station format promises made by the BBC to the independent regulator would ensure proper debate regarding the public worth of any change prior to it being made.

(v) How well does BBC (Radio) serve the constituent parts of the United Kingdom, including Scotland, Wales, Northern Ireland and the English regions? What changes, if any, would you like to see?

- It is important for BBC Radio to maintain a regional and local presence that it has different content to that provided by the commercially funded sector. Local information and news and involvement in local cultural affairs should be at the top of the list of provisions by local and regional BBC services. Independent regulation based on licensed formats would provide the reliable mechanisms needed to ensure the maintenance of news and information based local and regional services of cultural value to the areas served.
- BBC Radio's generous FM spectrum provision (para 1.6) enables BBC Local Radio to respond aggressively to the prospect of commercial local competition. To take a current example, a new, small local commercial radio service is about to launch in order to serve Buxton. CRCA understands that BBC Radio Derby has just installed an FM relay to improve coverage in Buxton and is trailing this vigorously. On the one hand, the citizens of Buxton are likely to enjoy better local coverage from broadcasters than they have hitherto. On the other, should the launch of a new independent service be challenged in this way by a publicly funded broadcaster in the first months of its life? Issues of this kind should be dealt with by independent regulation.

(vi) Is the current balance between national, regional and community level programming right?

- CRCA can see no justification for further expenditure on new BBC Radio services. New radio services beyond those that currently exist should be commercially funded and not owned by the BBC. We believe that an examination is required of whether the BBC really needs all the valuable FM spectrum allocated to it in order to achieve its remit.

(vii) Does current regional and community content reflect the diversity of the regions and communities served, and deliver what you want? If not, what should be changed?

- Any further investment by the BBC in community broadcasting would seem to us to run counter to Government plans to encourage the growth of community radio. CRCA has previously submitted that community radio should be funded by a subvention from the licence fee. We maintain that this would be an appropriate use of public funds.

(viii) A changing landscape. How should BBC (Radio) adapt to cope with changes in technology and culture?

- Around five years ago, the BBC pronounced itself the UK's trusted guide into the digital future. It was helped in this endeavour by its sole position as a cross-media owner (an anti-competitive situation that new ownership legislation for the commercial sector might remedy by allowing commercial companies to grow larger and across several media) and by its generous public funding which allows risk free investment.
- The BBC's excellent web services, however, appear to exist entirely in a walled garden. The Government allowed the public funding of their creation and development on the "trusted guide" principle. They should be required to encourage clicking on to non-BBC provided services.
- The BBC's radio services are available on all digital platforms, two of which it owns or part owns. BBC Radio's position as a publicly funded broadcaster does not require it to own transmission infrastructures. They should be privatised on terms that secure the provision of BBC radio services on them.

(vii) How should the BBC respond to the development of new technologies and to changing viewing and listening habits?

- By accepting an important but more clearly defined role.
- As the British Internet Publishers Alliance (BIPA - of which CRCA is a member) will say, the BBC must clearly be free to take advantage of new technologies in order to offer proper value to Licence payers. In questions such as Analogue Switch Off, for instance, the BBC may well have a lead role in encouraging the take-up of digital television. But the BBC should not be permitted to take a dominant role in any new technology or means of distribution, simply on the strength of its guaranteed income, especially if this leads to the crowding out of competitive suppliers or services.
- With regard to the BBC's provision of online services, such crowding out has already occurred, and remedies are urgently needed to redress this.

5.3 Publicly-funded services and functions

(x) *What do you think of the radio and online services the BBC provides?*

- They are richly funded out of the television licence fee and good.

(xi) *What do you think of the publicly-funded services provided by the BBC, on radio and online? What changes, if any, would you like to see?*

- Radios 1 and 2 often imitate commercial radio services in peak-time (0600-1900) hours. Independent regulation would do much to secure genuinely different content and choice to the benefit of the public.
- BBC online services are excellent following massive investment that no commercial radio competitor could match. The on-line BBC Radio services provide an increasingly important cross-promotional tool. It is unlikely that Commercial Radio will be able to gather together the resources to compete.

(xii) *How well do the BBC's publicly-funded radio services deliver its core purposes?*

- Radios 3 and 4 deliver news gathering, informational and cultural dividends as described under 5.2 above.

(xiii) *In what way should the BBC's (Radio) services differ from those of commercially funded radio in order to add value? To what extent should BBC (Radio) provide 'something for everyone'?*

- As argued elsewhere in this paper, CRCA submits that a different form of funding requires that the programmes funded should also be different. BBC Radios 3 and 4 merit a general contribution from society in the form of public funding because of their informational and cultural content. They are different from commercially funded services and likely to stay so. Radio 3 is complementary to Classic FM and vice-versa.
- As also argued elsewhere in this paper, the cases for the complementarity and difference of BBC Radio 1 and 2 cannot be made so strongly.
- Perhaps the question about providing something for everyone needs to be restated as "providing genuine choice for everyone". The maintenance of the vital differences between BBC and Commercial Radio services can best be assured by independent regulation.

5.4 Commercial services

(xiv) *Should the BBC run commercial (radio) services?*

- No. It encourages the production of programmes designed to chase audience share. This should not be a purpose of the BBC.

- Our support for the maintenance of public funding of BBC Radio services is based on this promoting citizen/consumer choice by ensuring the provision of genuinely complementary services, significantly different from those provided by the Commercial Radio sector. Allowing BBC Radio access to commercial revenues implies that its public funding is insufficient. We do not believe it is. Further, it would take revenue away that should be available to the commercial sector and, as argued elsewhere in this paper, creates a commercial culture which undermines the BBC's ethos and purpose.
- If any currently publicly funded BBC Radio services were to be funded out of broadcast advertisements or include sponsorship, then they should be transferred to the commercial sector, sold into private hands and licensed accordingly.

(xv) Do you think the BBC should continue to run commercial services alongside its licence fee-funded services?

- No. It blurs purpose as described in the previous paragraph and paras 2.3 to 2.6 of this paper.

(xvi) If the BBC should continue to run commercial services, how should we ensure that the relationship between the public and commercial services is fair to the BBC's commercial competitors?

- The BBC should be able to sell its programmes to commercial broadcasters who bid the best prices and this money should be added to the public funding the BBC receives. That's where BBC commercialisation should end in our view. BBC Worldwide should be privatised (paras 2.3 and 3.2).

(xvii) Should there be any limits on what BBC (Radio) is allowed to do commercially and, if so, what should those limits be?

- BBC Radio should not be allowed to run commercial services, neither should it be allowed to arrange for the sponsorship of its own outside events. Initiatives like "One Big Sunday" sponsored by Vodafone and "Proms in the Park" sponsored by Renault take revenue opportunities away from commercially funded radio (paras 2.4 and 2.5).
- There are numerous questions not covered here that will need examination as they relate to both the publicly funded and commercial activities of the BBC (paras 1.2 and 1.3). They include the market effects of any imbalance in regulation between the BBC and the commercial sector, the structure, amount, proportionality and transparency of any state aid, and the description and scope of the BBC's public service remit and its effect on the services of general economic interest exclusion as it applies to the activities of the BBC. These must be addressed in the next stages of the process.

5.5 Paying for the BBC

(xviii) How should we pay for BBC (Radio)?

- BBC Radio should continue to be publicly funded.

(xix) Does the licence fee remain the best way to pay for BBC (Radio's) public services?

- Technology does not currently allow universal reception of broadcast, mobile, subscription based, radio services. Thus subscription is not an option and there is, in our view, a strong case for public funding much of what BBC Radio provides. A licence fee system distances funds from direct Government involvement and is thus better than income from general taxation. It would be wrong to fetter national news, information and cultural radio services so the answer must currently be “yes” (para 4.1).
- Once subscription television becomes more generally the norm and as digital switch-over occurs, the television licence fee may be impossible to sustain. Methods other than a subvention from a television licence fee for publicly-funding BBC Radio will then need to be found.

(xx) Does the BBC deliver value for money?

- It is too large, too expensive and, as illustrated in para 4.3 inclined to be wasteful in our view. We do not see that it needs the resources it has to be as good as it is.

5.6 Organisation and infrastructure

(xxi) Is the BBC organised in the most effective and efficient way?

- No. It is an island unto itself, often unaware of the damage it sometimes causes to non-BBC broadcasters. Independent, transparent regulation would make it more accountable, lead to fair equality in the way both the commercially and publicly funded radio sectors are regulated, and enable independent examination of important issues or complaints.
- External controls are now required to ensure that BBC popular music services complement rather than imitate the commercial radio provision.
- Radio and television services and other sources of audiovisual entertainment have increased in number and fragmented hugely over the past decade. This process seems unlikely to decelerate and whatever arrangement is arrived at to fund and regulate the BBC from 2006 onwards is unlikely to be relevant to the communications environment of 2011 much less 2016. Single television (and to an extent single radio) channels will lose audience share. Viewers will

purchase their entertainment in a variety of ways from a variety of sources and providers that will make a universal licence fee difficult to justify.

- It follows that the new arrangements should either be for five years only or should be in the hands of an external regulator with flexibility to change in line with communication developments.
- It also suggests that there may be scope to reduce the licence fee and or “top-slice” it. This concept has been put forward by others to enable an increasing proportion of the licence fee being made available via some mechanism or other to fund “public service” programmes on non-BBC channels. CRCA supports a subvention from the BBC licence fee to help fund community radio. Whatever happens, however, CRCA believes that public money should be made available to fund BBC Radio services that provide the kinds of radio broadcasting that merit public funding (para 4.1).
- A definition of “public service broadcasting” is being sought by Ofcom and, it seems to us, is required by European competition legislation. CRCA submits that all radio services are to varying extents “in the public service”. We concentrate in this paper on the benefits of “publicly-funded” radio services. We suggest that these should “ensure the provision of impartial, in depth news and information and the fostering, support and celebration of cultural development and ideas”. The detailed definition of how radio services of this kind can be provided by the BBC needs to be arrived at by the BBC in consultation with an independent regulator taking account of what is available elsewhere.

(xxii) How should the BBC be organised to deliver its functions and services? Should it continue to operate as a single organisation?

- There are clear synergies that flow from cross-media arrangements. These should not only be allowed to continue but be organised to provide greater savings. Despite some “bi-media” operation, the BBC employs too many people and funds too much management (para 4.3).
- As explained in Chapter 3 and para 4.4, we believe an independent, external regulator should license each BBC service separately taking account of their different remits.

(xxiii) Does the BBC broadcast the right balance of independently produced and in-house productions? How important is it that the BBC makes programmes as well as commissioning them?

- Independent productions need to be both good and cost competitive. Where this is the case, BBC radio should use them.
- Independent productions can provide variety and regional flavour in programmes.
- Consideration should be given to whether entire individual BBC Radio services could be independently produced and managed.

(xxiv) *How should we ensure that BBC (Radio) continues to foster world-class broadcasting talent?*

- It's no less important that the commercial sector should be able to do this. We do not see this as solely a BBC role either now or in the future. Indeed, much of the BBC's top radio talent comes from the UK commercial radio sector.

5.7 Governance, regulation and constitution

(xxv) *How should the BBC be governed and regulated?*

- Independently as indicated and illustrated in chapters 3 and 4 of this paper.

(xxvi) *Do you think that, in the regulation of the BBC, there is the right balance between the Governors and Ofcom?*

- No as indicated above.

(xxvii) *Does a Royal Charter continue to be the most appropriate basis for the establishment of BBC (Radio)?*

- Not necessarily. As stated earlier, nothing should be fixed for a period longer than 5 years. The appointment of an independent, flexible regulator able to both regulate and license BBC services taking account of the changing shape and provision of the communications market would overcome this difficulty.

5.8 Accountability

(xxviii) *How do we ensure that the BBC is properly accountable to the public and Parliament? Is the BBC sufficiently responsive to its viewers and listeners and to Parliament? What improvements, if any, could the BBC make?*

- The BBC on its own should not be the body to make improvements. These should be achieved by an independent regulator accountable to Parliament and the public.

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