

**EMAP PLC**  
**RESPONSE TO THE DCMS REVIEW OF THE BBC'S**  
**ROYAL CHARTER PUBLISHED DECEMBER 2003**

**Introduction**

This document sets out the views and opinions of Emap plc on the subject of the BBC. Emap competes with the BBC principally in radio and consumer magazines in the UK. While this response is framed in the context of the DCMS Review of the BBC's Royal Charter published in December 2003, it focuses on the specific areas where Emap has the strongest views.

Emap welcomes the opportunity to take part in this important debate and looks forward to the Green Paper, expected to be published in late 2004 or early 2005.

**About Emap**

Emap is a media company whose purpose is to create "must have" entertainment and information that can be delivered to every home and business within defined communities.

Emap owns and develops leading edge brands in radio, TV, consumer magazines and B2B (magazines, conferences and exhibitions) in the UK, France and around the world. It leads in many of its markets with a strong portfolio of over 400 products including *FHM*, *Kiss*, *Heat*, *Nursing Times*, *Health Service Journal*, *Spring Fair*, *MaxPower*, *Kerrang!*, *Smash Hits*, *Télé Star* and *Pleine Vie*.

Emap people live and breathe their products, and their products are part of the lives of those they serve. Thousands of girls read about their favourite stars in *Smash Hits* magazine, listen to them on *Smash Hits* radio, and watch them on *Smash Hits TV*, to name but one example.

Emap is a FTSE 100 company quoted on the London Stock Exchange. Turnover for the financial year ending March 2003 was £967 million, and profit before tax was £175 million. Its market capitalisation is currently around £2.3 billion (March 2004).

Emap is a member of the Periodical Publishers Association (PPA), the Commercial Radio Companies Association (CRCA), and the British Internet Publishers Alliance (BIPA).

Further information about Emap can be found on the company's website [www.emap.com](http://www.emap.com).

## Summary of key points made in this response

1. The BBC should be clearly defined as a broadcaster, with clarity over its role and boundaries, and predetermined levels of funding. Its services should be distinctive and diverse, and should provide “something for everyone” without imitating the commercial sector. Its radio services should be defined in detail by Promises of Performance in line with the commercial sector.
2. The BBC’s success should be judged on the quality, diversity and distinctiveness of its output, and not on audience size.
3. The BBC should be prohibited from promoting any commercial enterprise on its publicly funded services, especially where the BBC or its employees will benefit from such promotion.
4. The BBC should promote the interests of the broadcasting industry as a whole as a driver of technology.
5. The BBC should be regulated by Ofcom in parallel with the commercial sector.
6. The BBC’s revenue-generating activities should be directly related to its broadcast output only, and should be carried out under licence by commercial operators in order to protect licence fee payers from risk and to prevent the distortion of markets. Revenues raised through these activities should be returned to licence fee payers in the form of future year reductions.

### 1. Scope and role of the BBC

1.1 The BBC’s remit is not sufficiently clear, and **more clarity** must be provided. Licence fee payers have a right to know what they can expect for their money. Because of its critical mass and public funding, competitors have a right to clarity over where the BBC’s boundaries are.

1.2 The British Broadcasting Corporation is by definition **a broadcaster**, and its activities should be confined to broadcasting. Its role as a broadcaster must be clearly defined and understood. Non-broadcasting activities, particularly where they do not relate to broadcast content, would clearly fall outside the BBC’s remit. BBC magazines, for example, is moving further away from BBC broadcast activities all the time with titles like *Eve*, *Olive* and *Easy Gardening*. Without this parameter the BBC will be free to continue to spread its tentacles into any business activity it chooses and to distort fair competition.

1.3 The BBC uses the internet to support and enhance its broadcast activities, in the same way as it might publish a paper-based newsletter or fact sheet. However, in the last few years the BBC’s internet-based activities have mushroomed far beyond this, involving an expenditure of up to £100 million a year and a string of broken promises about non-

competitive behaviour – it has been using public money to dominate the internet. The BBC should be strictly limited to providing **on-line content** which supports its existing broadcast activities, and this should be publicly funded (with no commercial input) in line with the activities it supports.

1.4 The BBC is charged with providing a wide range of services, to meet the needs and interests of as many different audiences as is practicable. As part of this it has a duty to provide **programming for minority interests** which the commercial sector cannot or does not wish to provide. This is an important part of the BBC's role.

1.5 However, Emap accepts that because everyone pays the licence fee, the BBC must provide **"something for everyone"** which means providing programming in areas the commercial sector also caters for. Without this the BBC would be weakened and lose critical mass.

1.6 Having said this, the BBC must aim to offer something for everyone without using its dominance to compete head on with the commercial sector. The BBC should aim to offer services that are **distinctive and diverse** rather than imitating what is already available elsewhere. Radio One, for example, caters for a similar potential audience to much of commercial radio but currently does it in a different way, by playing new music and live acts. Radio One could go even further by supporting unsigned bands, helping developing musicians to get their breaks and thus supporting British popular culture at a pre-commercial stage.

1.7 The radio services provided by the BBC should be defined by **Promises of Performance** in line with those applied to the commercial sector. These Promises of Performance should spell out in detail the distinctiveness of the services to be provided and their public service commitments, which, unlike at present, should be fulfilled during peak time as well as at other times. This will go a long way to ensuring diversity and avoiding duplication across BBC and commercial services.

1.8 Any **new services** proposed by the BBC should be assessed in the light of their distinctiveness relative to services already provided by both the BBC and the commercial sector. This assessment should be carried out by Ofcom and should include industry consultation.

1.9 A clear definition of what the BBC is to provide will help the BBC to be more **accountable** in providing it. Because of the BBC's dominance and public funding it is particularly important that it should give a comprehensive and transparent account of how it has fulfilled its obligations.

1.10 The BBC's **funding** should be **predetermined** to make it more accountable and to encourage it to set priorities. In 2002/2003 the BBC received a £124 million cash return from its commercial subsidiaries. Rather than using this money to fuel unlimited expansion of BBC services and create an ever more dominant position, it could be returned to licence fee payers via a reduction in the licence fee the following year. They

would almost certainly rather have the money than another new service which adds little to their overall media choice.

## **2. Competition with the commercial sector**

2.1 The pursuit of audiences as a primary measure of success has been a key factor which has discouraged distinctiveness in the BBC's services. This inevitably aligns it with the commercial sector, for which audience size relates directly to revenues. It encourages the duplication of services and results in licence fee payers paying for something they can get for free. The BBC should be **judged on the quality, diversity and distinctiveness** of its offering, but not on audience size.

2.2 Situations where the BBC uses public money to **outbid the commercial sector** for programming rights and talent do not benefit anybody and should be avoided. Last month the BBC outbid Scottish Radio Holdings for radio rights to the Scottish Premier League, which will now no longer be broadcast on SRH's Radio Clyde and Radio Forth. A second commercial radio group, Guardian Media Group, was also outbid. This is a blatant misuse of public funds which distorts the market and does nothing for the BBC's diversity and distinctiveness.

## **3. Commercial activities on air**

3.1 The BBC should be absolutely forbidden from **promoting any commercial enterprise** on publicly funded services, whether through spot advertising, sponsorship or editorial coverage, especially where the BBC or its employees benefit from it, whether directly or indirectly. Coca Cola's sponsorship of the chart show is a well-publicised example of this.

3.2 Presenters and other freelance employees must be transparent in **declaring any financial interest** they have in commercial activities and must not be permitted to promote them on air. Conflicts of interest in this area are common – presenters who promote local bars and clubs in which they have an interest, or DJs selecting tracks to play on specialist shows where they own the record company which signed them. Impartiality in these situations can be severely compromised.

## **4. Driving Technology**

4.1 As a publicly funded broadcaster with a critical mass not permitted by any single commercial operator, the BBC should act in the **interests of the broadcasting industry as a whole** in driving technology. It has an important role to play, for example, in the promotion of digital radio as the radio platform of the future.

## **5. Regulation**

5.1 The BBC must be **regulated by Ofcom** in parallel with the commercial sector. This will ensure that the whole broadcasting industry can be planned for and regulated coherently, and that a fair environment for all is provided. The Governors of the BBC should effectively be the BBC's equivalent of non-executive directors, with responsibility for making sure it meets its obligations. They cannot turn into regulators in the event

that it does not – as their stance over the events that led to the Hutton Enquiry demonstrated. Hutton criticised the Governors for supporting the management of the BBC while failing to make more detailed investigations of their own. No commercial organisation would be expected to regulate itself in this way. In the post-Hutton world it is crucial that the BBC is seen to be beyond reproach, in order to protect the valuable part it plays in our society.

5.2 Any **new services** proposed by the BBC should be considered by Ofcom in the light of diversity across the whole industry, including the commercial sector, and only approved if they will add something which is not already available. Industry consultation should be part of the consideration process.

5.3 **Complaints** against the BBC must be easier to make and must be dealt with more transparently by an independent mechanism with equivalent standards to the commercial sector. The BBC's own standards in the areas of, for example, offensive language, seem to have been more tolerant than those of Ofcom.

5.4 Ofcom must be able to take effective **sanctions against the BBC** when it breaks the rules – other than through fines or removal of licences which can be applied in the commercial sector but are not appropriate or an effective deterrent for a publicly funded organisation. Ofcom must be satisfied that appropriate measures have been taken, up to and including disciplinary action and dismissal of BBC staff, and that those measures have been made public.

5.5 With the BBC regulated by Ofcom, we will have in place an experienced and highly skilled regulator to develop a **detailed approach** to how the BBC should be regulated.

## 6. BBC Worldwide

6.1 As a publicly funded broadcaster the BBC's ventures into the commercial space are fraught with difficulty. Its size, scope and funding give it a dominance which makes commercial activities difficult to carry out without putting the commercial sector at an unfair disadvantage. It needs to be **ring fenced** to protect its public service role.

6.2 The BBC is charged with maximising the value of its content assets for the benefit of the licence payer. It has no obligation to carry out commercial activities which are not **directly related to its broadcast brands**, and it should not be permitted to do so. Last month the BBC acquired Origin Publishing, which publishes 12 specialist magazines such as *Your Hair* and *Cross Stitching*, as well as providing contract publishing services (the press release did not, incidentally, include the purchase price). This cannot possibly fit into the remit of a publicly funded national broadcasting organisation.

6.3 The maximisation of the value of the BBC's broadcast brands, in the form of books, magazines, videos, toys, CDs, software, clothing etc, should be carried out **under licence by commercial operators**. This gives the BBC a clean, maximised revenue stream without the need to maintain a commercial cost base, incur debt or carry risk. It also ensures a fair market with no unfair competition issues. The BBC's heavy use of cross-promotion in this area, effectively using valuable free advertising to a unique BBC audience which is not available to any commercial operator, must stop.

The BBC should however continue to offset programme production costs by selling programmes in their original form for transmission overseas.

6.4 Revenues raised through such activities should be **returned to licence fee payers** in the form of a reduction in the licence fee in future years, in order to give them a direct financial benefit and keep the BBC focused on delivering against clear priorities within its predetermined levels of funding.

6.5 Given the sensitivity of the BBC's commercial operations, it should be at least as **transparent** in its disclosure in this area as would be required of a UK public company. Disclosure relating to the BBC's public service activities has undoubtedly improved, but disclosure around its commercial activities remains poor. Commercial revenues are not broken down clearly by activity – magazines, for example, are not broken out separately – and no segmental information on profits is given at all.

March 2004

**Emap plc, 40 Bernard Street, London WC1N 1LW**  
**020-7278-1452**  
**[www.emap.com](http://www.emap.com)**