



**Response to the Green Paper on BBC Charter Renewal**  
**by the Commercial Radio Companies Association**

**The Commercial Radio Companies Association (CRCA) is the trade body for UK commercial radio.** CRCA members include national commercial radio stations, as well as most commercial local and regional stations. These account for almost half 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 encouraging conditions that will enable it to thrive into the future.

**Executive Summary**

**Commercial Radio's value**

1. **Commercial radio makes a substantial contribution to public service broadcasting in the UK**, delivering a wide range of services targeting differing demographics. Its output includes high volumes of locally relevant news and information, social action, community and charity support. The industry also joins together to support national initiatives, such as through UK Radio Aid which raised £3.5m for Tsunami victims in January 2005.
2. **Commercial radio plays an invaluable role in supporting and reporting on the UK's democratic process.** In May 2005 over two hundred stations joined together for 'UK Leaders Live', the first ever UK radio show on which all three of the main party leaders appeared. Meanwhile, across the country, other stations used traditional and innovative messages to engage listeners in local issues.
3. **Commercial radio is a major employer and wealth generator.** The industry employs almost 10,000 people throughout the UK from the Shetlands to Cornwall, in rural and urban communities. It stimulates economic activity in non-radio businesses by encouraging local people to spend money in their own towns. Commercial radio provides an affordable entry-point into the advertising market for many firms priced out by television and press.
4. **Commercial radio is at the forefront of seeking out and developing new talent in radio.** Stations run innovative events to stimulate interest in the broadcasting and music industries, and have a vital role in feeding the industry's talent base. CRCA complements individual stations' training activities with a range of courses encompassing issues relevant to working in radio. CRCA also operates a student workplace scheme and contributes to wider education projects. Commercial radio's investment in identifying and training new talent benefits the BBC.

**The new public purposes for the BBC**

5. While the new public purposes for the BBC appear admirable, the Green Paper's proposals of the extent to which the BBC should meet them are insufficiently rigorous. Programmes should not be excused meeting any single one of the listed purposes so long as they are able 'to justify themselves in terms of their excellence or distinctiveness'.

6. **If all of the BBC deserves public funding, then all of it should be required to fulfil public purposes.** To permit otherwise would be to allow the BBC to continue to compete vigorously for ratings and audience share to the detriment of commercial broadcasters and the wider media ecology.
7. **We recommend that all BBC programmes should be required to contribute to at least one of the new public purposes** and these contributions should be monitored and details made available to licence payers.
8. We also lend our support to the submission made by Chrysalis Radio which proposes additional overarching purposes.
9. **Despite receiving no public funding, the commercial radio industry makes a substantial contribution to the public purposes prescribed for the BBC by the Green Paper.** Stations 'sustain citizenship and civil society' and 'represent the UK, its Nations, regions and communities' through a rich variety of news, weather, travel, 'What's On', social action, charity and community broadcasting. They 'bring the world to the UK' through international news bulletins. Their contribution to 'stimulating creativity and cultural excellence' is recognised annually at the Sony Radio Awards, and is demonstrated by the ways in which stations encourage attendance and participation in cultural activities across the UK.
10. Independent monitoring commissioned by CRCA has found **substantial proportions of daytime speech output on Lincs FM (51%) and Radio City (36%) can be defined as meeting the new public purposes for the BBC.** On Lincs FM, delivery of public purposes is particularly high at the key listening times of breakfast and afternoon drivetime and on Radio City is particularly high at afternoon drivetime.
11. **If commercial broadcasters, such as CRCA's members, are delivering the public purposes which have been set for the BBC's output without the public funding which the BBC enjoys, the reasons for the BBC's funding, and the rigour of the objectives to which BBC radio services should aspire, need to be reassessed.**
12. Through its sixth public purpose for the corporation, the Green Paper charges the BBC with playing a leading role in building digital Britain. **When it comes to DAB digital radio, the commercial sector also plays a leading role.**
13. The BBC and commercial radio came together within the Digital Radio Development Bureau in recognition that, if DAB were to be a success, both sides of the industry had their important parts to play. The BBC has promoted its digital services on both television and radio while commercial radio has advertised the availability of receivers and directed listeners towards retailers. Co-ordination of these marketing endeavours has had significant effect on take up of digital reception devices
14. The BBC has been able to invest significant public funds into digital-only content while commercial radio's pioneering role has spent £40 million worth of analogue radio profits on content, carriage costs and significant digital infrastructure. It was commercial radio, too, that invested in chip manufacture and the tooling up costs to enable the first sub £100 digital radio receivers to come to market.
15. Development of digital radio has had to be a joint rather than a BBC-led venture. Undue advantage being given to the publicly-funded sector in terms of more BBC digital radio and broadcast data services, or greater funding for those that already exist, would damage this delicate relationship to the detriment of revenue-generating enterprise.

## The BBC's constitution

16. CRCA sees no obvious reason why the BBC should not be established by statute rather than Royal Charter but accepts that Charter status for the BBC is likely to be the outcome of the current process.
17. **The licence fee mechanism should be re-examined in five years' time** with a view to possible change in a rapidly evolving communications environment.

## Governance, Management and Regulation of the BBC

### Overview

18. Commercial radio has consistently argued that securing a more appropriate model for governance, management and regulation of the BBC is crucial to the health of the entire UK broadcasting ecology. We were therefore pleased that the Green Paper proposes a model which achieves some greater separation of governance, management and regulation, but believe the proposals for the roles of the Executive Board and the BBC Trust do not do enough to achieve the required differentiation of responsibility and purpose.
19. Crucially, **CRCA believes there is insufficient separation between the Executive Board and the BBC Trust**. The Green Paper seems to favour a balance of governance powers which tips too far in favour of the Trust, threatening turf wars between the two boards.

### The Executive Board

20. The Executive Board should run the BBC within the framework agreed with the BBC Trust.
21. The makeup of the Executive Board, as recommended by the Green Paper is, in our view, inappropriate. The proposed minority of non-executive directors represents an over-reliance on executive staff which may weaken rather than strengthen the board and its decisions with executives rubber-stamping their own decisions.
22. A board comprising a handful of the most senior executives and a majority of non-executive directors should run the BBC. This board, which we believe should be called the BBC Board rather than **the Executive Board, should have a non-executive chairman who is the champion of the management, and a supporter, advisor and confidant for the Director General**.

### The BBC Trust

23. The BBC Trust should be responsible for protecting and promoting the interests of the licence fee payer. This role extends beyond deciding on what the BBC *should* do and also encompasses what the BBC *should not* do, as well as achieving a realistic understanding of how the BBC's activities impact on the wider market.
24. The chairman of the BBC Trust should not be seen as, or act as the chairman of the BBC. **The chairman of the BBC Board and the chairman of the BBC Trust should have discrete roles**: the chairman of the Trust should look after the money and the needs and interests of licence payers, the chairman of the BBC Board should look after the running of the BBC. They may not always agree. We think this is healthy.

### Ofcom

25. **Ofcom should have an increased role in regulating the BBC, applying any type of regulation to the BBC which commonly applies to all broadcasters**. In particular, Ofcom's broadcasting competition expertise should be applied to the BBC as it is applied to all commercial broadcasters. We support the view that Ofcom should be given ex ante powers over the BBC.

26. We support the Green Paper's proposal that Ofcom should be invited to carry out market impact assessments in relation to the launch of new BBC services. We recommend that:
- Ofcom should run industry-wide consultations as part of the process of carrying out market impact assessments.
  - Ofcom should be asked to make recommendations to the BBC Trust following any relevant market impact analysis it undertakes.
27. Market impact analyses should be carried out for any substantial/material change to existing services as well as for the launch of new services.
28. Ofcom should conduct external assessments of the BBC's performance of its fair trading commitments.
29. **We recommend widening Ofcom's powers over the BBC to include impartiality and accuracy.** External regulation of such matters will bring increased scrutiny, improve public confidence and deliver important cross-industry consistency in adjudications.

#### The National Audit Office

30. **CRCA believes that there should be greater transparency in BBC accounting, with increased involvement from the National Audit Office (NAO).** The involvement of the NAO will not threaten the BBC's editorial independence from Parliament, so long as its remit is appropriately drawn.

#### Advertising/Sponsorship on the BBC

31. **We are concerned by the increasingly prevalent practice of BBC broadcasts giving on-air commercial value to sponsors of events.** Sponsor mentions for these events are now going far beyond the established practice of quoting the sponsored-title of the event and now also include presenters giving several sponsor credits during the programme itself.
32. CRCA-commissioned research has found that sponsors like to have their events aired on the BBC because its output is less 'cluttered' with other commercial mentions than commercial channels, and that event owners like their events being on the BBC because of the cross-media profile (including radio, magazines and on line coverage) the BBC can bring.
33. The practice is wrong and harmful for two key reasons:
- The commercial-free environment offered to the sponsor by the BBC is the result of the funding privilege offered by the licence fee. By using this privilege to secure broadcast rights at a price comparable to that which would be paid by commercial broadcasters, the BBC is using the licence fee to give it a bargaining advantage not available to commercial broadcasters, and provide advertising opportunities for commercial companies on publicly-funded channels.
  - When an event sponsor pays (through securing the event sponsorship rights) to have their brand exposed and promoted on BBC television and radio, this reduces the amount of budget that sponsor has to spend on other commercial ventures, including with commercial broadcasters.
34. The research found that the BBC is delivering millions of pounds worth of exposure to commercial brands and that, in some cases, the value being delivered to the sponsor by BBC television alone outstrips the cost of the sponsorship rights for the entire event.
35. **Such activity** reduces the already diminishing pot of money available from advertisers for commercial broadcasters and also gives the BBC an unfair advantage when

negotiating coverage rights. It **constitutes advertising on the BBC by the backdoor and should be prohibited.**

36. Over recent years, the BBC has also entered an increasing number of sponsorship arrangements to provide additional funding for its own off-air activities. The BBC receives generous and guaranteed funding from the licence fee. These funds should be sufficient to meet the full costs of its activities. When the BBC uses commercial funds to support its events it impacts negatively on the commercial sector by reducing advertisers' available spend for other ventures. **There is no need for the BBC to seek commercial funds to support its events and it should be prohibited from doing so.**
37. The BBC sometimes purchases exclusive coverage rights. CRCA does not see how this maximises coverage choice or represents value for licence fee payers. We thus support SMG's submission on the point.

### **BBC Radio – Overview**

38. BBC radio enjoys many structural advantages over commercial radio including an advert-free environment, better spectrum access, the obvious funding privileges, cross-media cross-promotional might and an ability to invest in digital radio without risk. Given this 'head start', **it is** therefore particularly **important that licence fee resources are used to fund output that could not be provided commercially.**
39. It is our clear impression that BBC radio is intent on building audience share through popular and contemporary programming targeted at an increasingly young audience. This is particularly evident in the increasing amount of contemporary music being played on existing and new services.
40. There is no lack of listening choice in the 15-44 demographic which advertisers want to reach. If the BBC continues to use its inherent structural advantages to compete aggressively for audience share amongst commercially-attractive younger demographics, considerable damage will be done.
41. **A strong commercial broadcasting industry is vital to plurality, competition and quality. If the BBC is allowed to continue to expand and compete without restraint, the wider UK communications ecology will be damaged.**

### **BBC Radios 1 & 2**

42. The BBC and the Green Paper argue that, because Radios 1 and 2 provide a unique mix of speech and music they are worthy of public funding. An important point is missed in this analysis: by definition, every different station provides a unique mix.
43. While there is no doubt that Radios 1 and 2 are popular, we question the extent to which they deliver the maximum public value to the maximum number of listeners. For example, although the stations broadcast more live music than their commercial competitors, this is concentrated in off-peak programming. Similarly, their specialist music schedules are consigned to the evenings, when stations traditionally have lower audiences.
44. **CRCA research found that some shows programmed at peaktime, such as "Steve Wright In the Afternoon", rely heavily on populist programming techniques.** Similarly, the music in Radio 1's breakfast show reveals much higher levels of duplication with commercial radio than the station's overall output. Analysis of the most-played songs in daytime on Radios 1 and 2 reveals patterns of considerable overlap with commercial radio stations targeting younger listeners.
45. Whilst the music research published by the BBC and used to frame many of the arguments in the Green Paper appears initially compelling, these results show that there

are many ways of assessing the distinctiveness of Radios 1 and 2, and that the BBC's own assessment (the one on which the Green Paper relies) is just part of the picture.

#### Public purpose speech output on Radios 1 and 2

46. **Independent analysis of the speech output on Radios 1 and 2** (commissioned by CRCA) **has found that 71% of Radio 1's weekday daytime speech and 90% of its weekend daytime speech makes no contribution to the new public purposes for the BBC.**
47. Radio 2's weekday speech output showed higher levels of public purpose, largely, though not exclusively, due to Jeremy Vine's programme. However, at weekends only 27% of the station's speech content contributed to a public purpose.
48. Further analysis found that less than 20% (and, in some cases, less than 10%) of the speech output on some shows, such as Chris Moyles, Colin & Edith and Vernon Kay (on Radio 1) and Jonathan Ross (on Radio 2) fulfils a public purpose.
49. In general, Radios 1 and 2 rely on their regular news bulletins to deliver public purpose speech radio. However, commercial radio's news provision is also strong:
  - Of the 218 stations who submitted data to CRCA's audit of public service broadcasting, 148 broadcast more news than Radio 1 promises in its annual Statement of Programme Policy<sup>1</sup>.
  - Radio 2's Statement of Programme Policy promises 800 hours of news and current affairs a year, of which 520 hours are accounted for by Jeremy Vine's programme. This leaves a commitment to 323 minutes each week of news, a figure bettered by 163 of the 218 stations that participated in CRCA's audit.
50. The research found that Radio 1's public purpose speech compares poorly to the commercial stations monitored (Lincs FM and Radio City) across the day as a whole, and particularly at the key listening time of breakfast. Radio 2's public purpose delivery is also relatively low at breakfast, and despite its vastly greater resources, only better Lincs FM by 8% in daytime overall.
51. **We believe these findings raise serious questions about the public purposes of Radios 1 and 2 in their current form.**

#### Listeners' views on Radios 1 & 2 and the BBC's new public purposes

52. CRCA also commissioned research to understand listeners' perceptions of Radios 1 and 2 in relation to public purposes. Listeners were asked to rank ten statements describing the stations, six of which related to the new public purposes and four related to music, presentation, promotion and entertainment.
53. The results clearly showed that **listeners perceive Radios 1 and 2 as celebrity-presented, entertainment-based pop music stations.**

#### Delivering value for public money

54. One of the key responsibilities of the new BBC Trust will be ensuring that the licence fee payer is receiving good value for money. This must include an assessment of whether or not public money is actually needed to provide particular services. That is, could the services be funded commercially without compromising their content or quality?
55. CRCA commissioned independent research to test whether, in their current form, Radios 1 and 2 require public money and to assess the potential revenue which could be generated if Radios 1 and 2 were free to take advertising. Using BBC expenditure data and appropriate assumptions, it was found that Radio 1 could generate £66.9m of revenue (thereby delivering a profit of £28m or 42% of turnover) and Radio 2 could generate £73.7m of revenue (a profit of £32.2m or 44%).

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<sup>1</sup> Radio 1's commitment to 310 hours a year (357 minutes a week) includes sport and current affairs whereas the commercial radio data is for news alone.

56. **The research demonstrates that, without having any impact on output or investment, Radios 1 and 2 could be commercially funded.**
57. CRCA is not asking for the privatisation of Radios 1 and 2. However, when combined with the programming and audience findings outlined above which demonstrate little delivery of public purposes by Radios 1 and 2, **the results of this study mean it is difficult to argue that these stations currently represent a good use of public funds.**

### **BBC Local Radio**

58. The BBC has seized upon ITV's alleged de-regionalisation as a reason for further investment in local television broadcasting. This is not required in local radio. CRCA's recent audit of public service broadcasting showed significant and growing amounts of local informational content on commercial radio.
59. **The BBC's proposals to launch new local radio services represent an unnecessary level of growth from an already dominant player in the market.** CRCA has seen no evidence supporting this expansion. Of the proposed new services, three would be launched in areas served by commercial radio stations deemed so economically fragile as to be protected even from the launch of a community radio station, let alone one backed by the might of the BBC.
60. **Our concern about these new services is compounded by a trend we have observed whereby BBC local radio appears to be refocusing its local radio music output, and to a lesser extent its speech features, towards a younger 45-54 age group.** This move has already started pre-Charter renewal.
61. For example, a station editor was quoted in industry press as *"trying to attract people aged 45+"*, some stations are playing more new and current songs than in the past and commercial radio programmers are noticing increased music content at key listening times, features to attract at-work listening and more music from current artists.
62. We put these concerns to the BBC and were told that there is no policy to refocus BBC local radio to a younger audience, and that the BBC has no plans to change the average age of its BBC local radio listener from the current 55. We were told that the changes we had observed were simply the result of audience research which has shown that older listeners *"are getting younger at heart and younger in outlook"* and that the BBC would be *"failing in its public service duty if we didn't recognise and act upon that fact"*.
63. These arguments sound to us to be very similar to those that were put forward by the management of BBC Radio 2 during its post 1999 format changes which have had a significant impact on commercial radio audiences.
64. **Introducing these new strategies to make BBC local radio appeal to 'younger-at-heart older listeners' will attract more younger listeners, and will not only disenfranchise those older listeners but, by making further audience inroads, will undermine commercial radio's ability to provide quality local services.**



## **CRCA's full response to the Green Paper on BBC Charter Renewal**

The BBC provides many programmes and services that are enormously valued by listeners, viewers and on-line users. It is recognised the world over for its quality, creativity and authority. But it is also an enormous, state-funded intervention in the market which impacts on the health and wealth of other broadcasters. Commercial radio believes that, at present, the BBC is too large, too powerful and inappropriately regulated in the areas of both content and competition.

This paper sets out the important benefits that the commercial radio industry delivers to listeners, communities, the economy, employment, and the overall strength of the radio industry. Future BBC development and growth will inevitably impact on these benefits and we urge the Government to have particular regard to the health of the commercial radio sector when making decisions about the funding and regulation of BBC radio.

### **1. Commercial radio's value**

#### **1.1. The Green Paper's view**

1.1.1. The Green Paper acknowledges commercial radio's considerable public service output<sup>2</sup> yet, although it adds BBC radio's output to that of the terrestrial TV channels in the category of 'public service broadcasting', it does not do the same for commercial radio. Whatever the motivation behind this, we think it is both a regrettable and unjustified omission.

1.1.2. We are puzzled as to the meaning behind the statement which, in referring to public benefits that commercial radio delivers, questions 'whether it can do so to the extent desired'<sup>3</sup>. Desired by whom? Commercial radio stations operate under formats and licences issued and regulated by Ofcom. Ofcom's Radio Review is clear<sup>4</sup> that consumers are very satisfied with the commercial radio services they receive, with local news and information services being rated particularly highly.

#### **1.2. Commercial radio's value to listeners and communities**

1.2.1. CRCA's recent audit of the output of over 200 commercial radio stations found that UK commercial radio makes an important and major contribution to news and information provision across the UK and is strongly involved with the communities it serves.

1.2.2. The news broadcast by commercial radio equates to the output of more than thirteen 24-hour news services and around half of all news provided by commercial radio is local news. Radio City 96.7, whose news team won Bronze in the Sony Radio Awards Journalist of the Year, has an eight-strong news team which provides over 600 hours of news a year<sup>5</sup> for over half a million listeners in Merseyside, in addition to football commentary for Liverpool's three main teams.

1.2.3. Commercial radio's information services include over 2 million weather forecasts a year and almost 1.4 million minutes of travel news. These range from the humorous weather feature 'to BBQ or not to BBQ' on Century 105.4, to emergency bulletins on LBC 97.3 which provided stranded commuters with essential travel news during the London tube strikes.

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<sup>2</sup> Para 8.9, pg 91

<sup>3</sup> Para 8.9, pg 91

<sup>4</sup> Radio – Preparing for the Future – Section 6.4

<sup>5</sup> The BBC Statement of Programme Policy 2005-06 for Radio 1 promises it will broadcast at least 310 minutes of news, sport and current affairs.

- 1.2.4. Commercial radio promotes almost half a million local events on air every year, and a further 300,000 on station websites. These include mentions for small local events such as local gala days on Radio Borders and major contributions such as GWR FM's donation of £100,000 of advertising airtime to support the Wiltshire Festival.
- 1.2.5. Stations broadcast community reports on average 38 times a week. These include anti-crime messages, such as those broadcast by kmfm in association with Kent Police during high tourist seasons along the coast, Premier Christian Radio's support for the European Year of the Disabled and Saga 106.6's campaign to encourage older listeners to foster a child in the East Midlands.
- 1.2.6. Stations lend their physical support to over 44,000 community events and initiatives every year. Whether this takes the form of a presenter from Real Radio opening a community centre, or Galaxy 102's project to place 70 condom machines in areas of Manchester with high teenage pregnancy rates, stations' involvement is invaluable.
- 1.2.7. In 2004, commercial radio raised £8.5m for charity. Many stations run their own charities, including Radio Tay's 'Caring for Kids' and 95.8 Capital FM's 'Help a London Child'.
- 1.2.8. Figures alone, however, do not do justice to commercial radio's contributions to the UK's quality of life and sense of social involvement and inclusion. Listeners trust and value their favourite commercial radio stations, giving generously when inspired to do so. UK Radio Aid, a unique industry-wide initiative (listened to by over 27 million people and organised in just ten days) raised £3.5m for Tsunami victims in January 2005
- 1.3. Commercial radio's value to democracy
  - 1.3.1. Commercial radio plays an invaluable role in supporting and reporting on the UK's democratic process. With stations in every corner of the UK, the industry gets to the heart of the issues that matter in different localities, from tiny communities in West Somerset to urban concerns in inner cities.
  - 1.3.2. At key times, such as general elections, the industry joins together for initiatives that make a national impact. In 2001, commercial radio donated over £600,000 of advertising airtime to encourage young people to vote in 'Use Your Voice' which was supported by all the major political parties. In 2005, in addition to local coverage, over two hundred stations joined together for an historic broadcast. Broadcast on Sunday 1 May, 'UK Leaders live' was the first ever UK radio show on which all three of the main party leaders appeared. Listeners from across the UK cross-examined the Prime Minister, Michael Howard and Charles Kennedy in a unique radio broadcast which brought democracy into listeners' front rooms.
  - 1.3.3. Meanwhile, across the country, other stations used traditional and innovative messages to engage listeners in local issues. These included daily profiles of candidates on Bridge FM in Bridgend, Radio Clyde's 'Election Bites' programme which provided in-depth analysis of Scottish issues, all-night programmes on every station in the Lincs FM group, detailed results analysis on all Capital Radio stations' websites and Leicester Sound's 'Straw Polls' which identified key local issues for the station's listeners.
  - 1.3.4. In everyday life too, commercial radio contributes to the local democratic process. West Sound's central role in a local campaign to have the dangerous A77 road upgraded is just one example. Its success in persuading the Scottish Executive of this key local issue was recognised when it won both an NTL Commercial Radio Award and a Gold Sony Radio Academy Award.
- 1.4. Commercial radio's value to the economy
  - 1.4.1. Commercial radio employs people across the country, at the furthest edges of the UK from the Shetlands to Cornwall, and in rural and urban communities.

- 1.4.2. It contributes to a balanced employment ecology, providing jobs for almost 10,000 people. Only 13% of these are based in London (compared with 28% of those in all UK radio). Ethnic minorities are also better represented in commercial radio employment than in the radio industry as a whole<sup>6</sup>. This is despite ethnic minorities forming a smaller percentage of the population outside London where a majority of the commercial radio industry is based.
- 1.4.3. In addition to directly employing people in presentation, production, sales and marketing, engineering and technology, administration and management, commercial radio stimulates economic activity in non-radio businesses. Almost every major town, and many minor ones too, has its own radio station, whose output includes hourly messages encouraging local people to spend money locally, thereby stimulating the local economy. Commercial radio provides an affordable entry-point into the advertising market for many firms priced out by television and press.
- 1.5. Commercial radio's value to the creative industries
- 1.5.1. Commercial radio is at the forefront of seeking out new talent in radio. This is perhaps best exemplified by the extensive range of innovative events run by stations to stimulate interest in the broadcasting and music industries, for example, Red Dragon FM organises regular Media Placement Days for listeners in Cardiff, and Southern FM got young people from Patcham School involved in digital radio broadcasting in Brighton. This commitment to new talent extends beyond radio into the music industry where, for example, Galaxy 102.2 ran a promotion to find new local musicians playing black music in Birmingham, and Classic FM offered free instrumental tuition to youngsters that had attended concerts organised by the station. Many stations, including those owned by Scottish Radio Holdings, foster close links with colleges and universities that run media and journalism courses.
- 1.5.2. Commercial radio therefore has a vital role in feeding the industry's talent base. As a predominantly local medium, commercial radio offers many broadcasters their first employment in radio. There is an inevitable resignation (at smaller stations in particular) to the fact that their role is to identify new talent, invest in training and coaching, only to see staff move on to their better-funded competitors who are able to offer national and/or cross-media career opportunities. The BBC's statement that its 'investment in training ... benefits the whole industry'<sup>7</sup> is therefore much less applicable in radio than in television. The reverse is actually true: commercial radio's investment in identifying and training new talent benefits the BBC.
- 1.5.3. Some of the BBC's best known broadcasters and managers started their careers in commercial radio including Helen Boaden, Bob Shennan, Martha Kearney, Steve Wright, Scott Mills, Chris Evans, Nicky Campbell, Jane Garvey and Chris Moyles.
- 1.5.4. The commercial radio industry complements individual stations' training activities with a range of courses organised by CRCA. These low-cost, high-quality events encompass a wide range of issues relevant to working in radio including broadcast law, presenter coaching, management and finance. CRCA also operates a student workplace scheme, matching aspiring broadcasters with stations offering placements, and contributes to wider education projects such as through its recent support of teachers and students studying 'Local and Community Radio' at GCSE.
- 1.6. Summary
- 1.6.1. Commercial radio enriches communities and enriches radio. Its welfare and provision therefore merit careful consideration when establishing the remit, funding, size and framework for publicly-funded radio.

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<sup>6</sup> Latest Skillset data.

<sup>7</sup> BBC response to The Green Paper on BBC Charter Review, May 2005, pg 70

## **2. The Green Paper's new public purposes for the BBC**

### **2.1. The BBC and public purposes**

- 2.1.1. The Green Paper sets out six new purposes for the BBC<sup>8</sup>. Whilst these appear admirable purposes which the BBC should 'strive to fulfil', the Green Paper's proposals of the extent to which the BBC should meet them are insufficiently rigorous. We do not believe, for example, that programmes should be permitted to avoid meeting any single one of the listed purposes so long as they are able 'to justify themselves in terms of their excellence or distinctiveness'<sup>9</sup>.
- 2.1.2. We think this poses particular potential problems for radio. For example, it would be possible for a BBC radio service to produce an 'excellent' programme at a key listening time, such as at breakfast. It could use all its inherent advantages, such as cross-media promotional might and an ad-free environment, to make this programme successful and would thereby draw listeners away from commercial stations. Because radio stations tend to use breakfast listening as a key audience-builder, this would have a serious impact on commercial stations' ability to generate income, and therefore to invest in the type of quality programming crucial to a healthy and pluralistic radio environment.
- 2.1.3. If all of the BBC deserves public funding, then all of it should be required to fulfil public purposes. To permit otherwise would be to allow the BBC to continue to compete vigorously for ratings and audience share to the detriment of commercial broadcasters and the wider media ecology.
- 2.1.4. We therefore recommend that all BBC programmes should be required to contribute to at least one of the new public purposes. These contributions should be monitored by the BBC Trust and the results should be made available to licence payers.
- 2.1.5. We also lend our support to the proposals made by Chrysalis Radio regarding the BBC's new public purposes, specifically that there should be an additional purpose of '*Enhancing and broadening listener and viewer choice through distinctive content*' and the overarching principle that '*In fulfilling the above purposes, the BBC will always be mindful for its obligations to make effective use of the public funding it receives and of the radio spectrum it has been granted, and to minimise its adverse impact on the broader media marketplace*'.

### **2.2. Commercial radio and public purposes**

- 2.2.1. Despite receiving no public funding, the commercial radio industry makes a substantial contribution to the public purposes set out in the Green Paper for the BBC.
- 2.2.2. CRCA's audit of public service broadcasting in commercial radio measured how much news, weather, travel, 'What's On', social action, charity and community broadcasting the industry delivers each year. It also collated information about how stations use websites to support their communities, the extent to which stations participate in community events and how much money is raised for charity. These particular elements of commercial radio's output demonstrate how the industry fulfils the following new public purposes set out for the BBC:
- Sustaining citizenship and civil society
  - Representing the UK, its Nations, regions and communities
- 2.2.3. Commercial radio also delivers part of another of the BBC's new public purposes:
- [Bringing the UK to the world]<sup>10</sup> and the world to the UK.

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<sup>8</sup> Pg 8

<sup>9</sup> 'Our Policy', pg 20

<sup>10</sup> Surely only the BBC World Service and BBC websites can realistically be said to fulfil the first part of this public purpose.

For example, Independent Radio News (IRN), which provides a service to 273 analogue stations in the UK, estimates that 20-30% of its output is world news i.e. involving non-UK people or places. It notes that this figure rises at key times of international crisis such as the September 11 tragedy and the recent Tsunami disaster. The total audience for these stations is approximately 26 million adults<sup>11</sup>.

2.2.4. Commercial radio also meets the public purpose of:

- Stimulating creativity and cultural excellence

The industry enriches the cultural life of the UK through its innovative programming and creative output. This contribution is regularly recognised at the Sony Radio Awards where, this year, commercial radio winners included Gold, Silver and Bronze in the Breakfast Show category; Gold and Silver in the Daily Music Show of the Year; Gold and Bronze in the Information Award; Gold, Silver and Bronze in the Station Sound Award and two out of the four Station of the Year awards, including children's radio station, Capital Disney.

2.2.5. Many of the events promoted by local commercial radio stations encourage attendance and participation in community cultural activities. Classic FM has developed an extensive programme designed to increase participation in classical music, particularly amongst young people, and to enhance music education.

2.2.6. As noted earlier, commercial radio is the powerhouse for new talent in the radio industry and therefore not only makes a contribution to fostering talent within the sector, but also within the BBC and the wider media landscape.

2.2.7. CRCA commissioned Hallett Arendt to assess the extent to which the speech output of two commercial radio stations could be said to meet the new public purposes for the BBC.

2.2.8. Lincs FM is the local radio station for Lincoln and the surrounding area. It services a population of around 800,000 adults and its Ofcom format describes it as 'a music and information station for Lincoln and the surrounding area'.

2.2.9. Hallett Arendt found that the majority of daytime speech (51%) on Lincs FM delivered at least one of the new public purposes set out for the BBC in the Green Paper<sup>12</sup>. At breakfast (0600-0900) this proportion rose to 53% and was highest in drivetime (1600-1900) at 62%. The findings are set out in Table 1 below and the full report can be found at Appendix A.

2.2.10. In order to remain consistent with the analysis of BBC Radios 1 and 2 (see chapter 8) news and informational content on Lincs FM was coded as 'Sustaining Citizenship & Civil Society. However, Hallett Arendt noted that a good deal of this could alternatively be coded as 'Representing [the UK, its Nations,] regions and communities' particularly as it was found that 24% of all speech at breakfast and 33% of all speech at drivetime was devoted to local news items.

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<sup>11</sup> Each year, IRN produces 23,400 audio cuts, 38,740 cues and scripts, 4,004 headline feeds, 8,760 bulletins of three minutes duration, 4,732 bulletins of 90 seconds duration, 9,204 customised bulletins for stations such as Classic FM and 3,380 programme packages.

<sup>12</sup> Hallett Arendt coded speech as contributing to each purpose in either a 'core' or 'marginal' way. The figures noted in these tables show 'core plus marginal' delivery

**Table 1 – Lincs FM speech analysis**

	% of speech contributing to each public purpose		
	Breakfast	Drivetime	0600-1900
Sustaining citizenship & civil society	44%	61%	47%
Promoting education & learning	6%	0%	2%
Stimulating creativity & cultural excellence	0%	0%	0%
Representing the UK, its Nations, regions & communities	0%	0%	0%
Bringing the UK to the world & the world to the UK	3%	1%	2%
Building digital Britain	0%	0%	0%
<b>No public purpose contribution ...</b>	<b>47%</b>	<b>38%</b>	<b>49%</b>
<i>... of which, station self-promotion</i>	1%	0%	1%

2.2.11. Radio City was one of the first commercial radio stations to be launched and is based in Liverpool, serving a population of almost 2 million adults. Its Ofcom format describes it as ‘a contemporary and chart music and information station for 15-44 year olds in Merseyside’.

2.2.12. Hallett Arendt found that over a third (36%) of Radio City’s speech output contributed to at least one of the new public purposes set out for the BBC in the Green Paper. At breakfast (0700-1000) the proportion was marginally lower at 35% but rose to 63% at drivetime (1600-1900). The findings are set out in Table 2 below.

2.2.13. Hallett Arendt noted that, as with Lincs FM, a good deal of Radio City’s speech which they coded as ‘Sustaining Citizenship & Civil Society’ could alternatively be coded as ‘Representing [the UK, its Nations,] regions and communities’. They found that 7% of all speech at breakfast and 24% of all speech at drivetime was devoted to local news items.

**Table 2 – Radio City speech analysis**

	% of speech contributing to each public purpose		
	Breakfast	Drivetime	0600-1900
Sustaining citizenship & civil society	27%	53%	30%
Promoting education & learning	6%	0%	2%
Stimulating creativity & cultural excellence	0%	0%	0%
Representing the UK, its Nations, regions & communities	0%	0%	0%
Bringing the UK to the world & the world to the UK	2%	10%	4%
Building digital Britain	0%	0%	0%
<b>No public purpose contribution ...</b>	<b>66%</b>	<b>37%</b>	<b>64%</b>
<i>... of which, station self-promotion</i>	0%	0%	0%

2.2.14. A similar exercise was carried out for BBC Radios 1 and 2. The results of that analysis, and comparisons with the data for Lincs FM and Radio City, are explored in Chapter 8<sup>13</sup>.

<sup>13</sup> Due to constraints of time and budget, the analysis conducted of Lincs FM and Radio City was limited to one weekday, and in-depth analysis on a per-show basis has been limited to breakfast and drivetime only. The transcriptions of output were provided by the stations. However, the analysis process and methodology employed by Hallett Arendt was identical to that used for BBC Radios 1 and 2.

### 2.3. Conclusion

- 2.3.1. If commercial broadcasters, such as CRCA's members, are delivering the public purposes which have been set for the BBC's output without the public funding which the BBC enjoys, the reasons for the BBC's funding, and the rigour of the objectives to which BBC services should aspire, need to be reassessed.

### 2.4. Building Digital Britain

- 2.4.1. Through its sixth public purpose for the corporation, the Green Paper charges the BBC with playing a leading role in building digital Britain. When it comes to digital radio, the commercial sector also plays a leading role. It is therefore appropriate that we should comment on the BBC's role in developing and promoting digital radio, set out commercial radio's contributions, and emphasise that neither should be compromised.
- 2.4.2. The BBC started trialling DAB digital radio in 1995. It argued that, in the Charter period now ending, it should be awarded increased public funding for digital television, radio and web activity. Thus BBC radio was already broadcasting digitally by the time arrangements were made in the 1996 Broadcasting Act to enable the Radio Authority to advertise a single national and a number of local DAB multiplexes. There was some uncertainty regarding how commercial radio could afford the expensive transition to digital transmission but in 1999 the national commercial radio multiplex was advertised and awarded to the sole applicant, Digital One. A speedy roll out of local multiplexes followed.
- 2.4.3. There were many reasons for commercial radio's participation in digital radio. A principal one was that digital radio might enable commercial radio to rival the BBC's national analogue dominance whereby 4FM and 1AM BBC national stations compete with 1FM and 2AM INRs. Commercial radio resolved that its digital services needed to increase audience choice if receivers were to be sold in mass-market numbers. This it achieved by launching five digital-only national services followed by a host of digital-only local services. Following this initiative, the BBC saw the value of choice and, after six years of digitally simulcasting BBC national analogue services, it followed suit with five new digital-only national services and a programme of transmitter construction designed to match commercial radio's 85% UK coverage.
- 2.4.4. Both the BBC and commercial radio came together within the Digital Radio Development Bureau in recognition that, if DAB were to be a success, both sides of the industry had their important parts to play. The BBC has promoted its digital services on both digital television and DAB digital radio while commercial radio has advertised the availability of receivers and directed listeners towards retailers. Co-ordination of these marketing endeavours has had significant effect on the take up of digital reception devices.
- 2.4.5. The BBC has been able to invest significant public funds into digital-only content while extending its brands via the internet and its easy access to terrestrial digital television. Commercial radio's pioneering role has been supported by significant shareholder investment of £40 million worth of analogue radio profits. This has been spent on three main things. First, on content, including providing services for children, gay audiences, classic and current rock fans, those who enjoy plays, books and stories, the over 60s and other under-served communities. Second, on carriage costs, and third, for those investing in multiplexes, on significant digital infrastructure. It was commercial radio, too, that invested in chip manufacture to accelerate less power hungry DAB chip availability, and that invested in the tooling up costs to enable the first sub £100 digital radio receivers to come to market.
- 2.4.6. Listening figures show that both commercial radio and BBC radio are beginning to attract significant listening to their digital services. DRDB's latest business report<sup>14</sup> suggests that almost 4 million UK listeners are listening to radio on a DAB receiver.

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<sup>14</sup> DRDB Briefing 25.05.05 Appendix B.

Many of the new digital services are available on DAB, digital TV and the internet. 44% of listeners are listening in this way. It is clear that digital radio listeners listen to radio for longer than analogue listeners do.

- 2.4.7. Despite these advances, however, we estimate that development is still at an early and fragile stage. Huge growth is required in digital radio interest, infrastructure and listening overseas if DAB is to be the main technology behind tomorrow's mass radio medium. As the preceding paragraphs have demonstrated, development of digital radio has had to be a joint rather than a BBC-led venture. Undue advantage being given to the publicly-funded sector in terms of more BBC digital radio and broadcast data services or greater funding for those that already exist, would damage this delicate relationship to the detriment of revenue-generating enterprise.

### **3. The BBC's constitution**

#### **3.1. Charter or Statute?**

- 3.1.1. CRCA sees no obvious reason why the BBC should not be established by statute rather than Royal Charter but accepts that Charter status for the BBC is likely to be the outcome of the current process. As expressed elsewhere in this document however, Charter status should not allow the BBC to escape independent regulation and evaluation, nor should it allow the BBC to behave in ways detrimental to the commercially-funded sector

#### **3.2. The Licence Fee**

- 3.2.1. Irrespective of Charter duration, it is, as the Green Paper has recognised, necessary to re-examine the licence fee mechanism with a view to possible change in five years' time. Leaving this process until post digital television switchover, as the BBC suggests, will be too late to take into account market changes, and will allow the BBC's new role in the post switchover world to have been already defined, making it all the more difficult to change, if indeed change is proposed.

### **4. Governance, Management and Regulation of the BBC**

#### **4.1. Overview**

- 4.1.1. Commercial radio has consistently argued that securing a more appropriate model for governance, management and regulation of the BBC is crucial to the health of the entire UK broadcasting ecology. We were pleased to note that the Green Paper welcomed the CRCA-commissioned report from international corporate governance expert Stilpon Nestor<sup>15</sup>.
- 4.1.2. CRCA has commissioned Stilpon Nestor to prepare a separate paper offering his comments on the BBC Trust proposals. This will be submitted to the DCMS by the middle of June 2005.
- 4.1.3. We are also pleased that the Green Paper proposes a model which achieves some greater separation of governance, management and regulation, but believe the proposals for the roles of the Executive Board and the BBC Trust do not do enough to achieve the required clarity.
- 4.1.4. Crucially, CRCA believes there is insufficient separation between the Executive Board and the BBC Trust. The Green Paper seems to favour a balance of governance powers which tips too far in favour of the Trust, threatening turf wars between the two boards.

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<sup>15</sup> Para 5.52, pg 78

## 4.2. The Executive Board

- 4.2.1. For the avoidance of doubt, it is our view that the Executive Board should run the BBC within the framework agreed with the BBC Trust.
- 4.2.2. The makeup of the Executive Board, as recommended by the Green Paper is, in our view, inappropriate. The proposed minority of non-executive directors is in contrast to established best corporate practice. This represents an over-reliance on executive staff which may weaken rather than strengthen the board and its decisions, with executives rubber-stamping their own decisions. This model delivers insufficient internal rigour, effectively turning the management of the UK's most powerful broadcaster entirely over to its staff; a model which would be unacceptable in any other private or public enterprise of comparable scale. Even small organisations, such as schools and charities, do not over-burden the executive in this way. Instead they use non-executives' experience to provide the essential management checks and balances to ensure appropriate decision-making.
- 4.2.3. A board comprising a handful of the most senior executives and a majority of non-executive directors should run the BBC. This board, which we believe should be called the BBC Board rather than the Executive Board, should have a non-executive chairman who is the champion of the management, and a supporter, advisor and confidant for the Director General.

## 4.3. The BBC Trust

- 4.3.1. Lest there should be any misunderstanding, we recommend that the BBC Trust should be responsible for protecting and promoting the interests of the licence fee payer.
- 4.3.2. Importantly this extends beyond deciding on what the BBC *should* do and also encompasses what the BBC *should not* do, as well as achieving a realistic understanding of how the BBC's activities impact on the wider market.
- 4.3.3. The licence fee payer may not always be best-served by the BBC doing more, instead it may be better for the BBC to refrain from entering, or to exit, particular markets. In certain circumstances this type of restraint will provide the best outcome for the broadcasting ecology (and therefore the licence fee payer) as a whole. The BBC Trust therefore needs the expertise, and the power, to make such judgements.
- 4.3.4. The context within which the Trust operates is also important. The Green Paper's current proposals set up a potential and undesirable public interest gap. The BBC Trust is proposed as a non-regulatory body tasked only with representing the licence fee payer and keeping the Executive Board in check. With the Green Paper's refusal to extend Ofcom's remit to include *ex ante* competition powers, the broadcasting ecology is left without a body exercising overarching responsibility for the wider public service broadcasting environment. This may weaken the position of other public service broadcasters, including commercial radio, and may ultimately damage the provision of PSB in the UK. In the paragraphs below we set out how we believe Ofcom's role should be adapted to avoid this situation occurring.
- 4.3.5. Turning now to the role of individuals within the new BBC Trust, the chairman of the BBC Trust should be just that. S/he should not be the chairman of the BBC. In his evidence to the House of Lords Select Committee on BBC Charter Review, Michael Grade said *'you cannot have two people [...] speaking for the BBC. You have to have a single chairman. It has to be very clear who is looking after the money'*<sup>16</sup>. We agree that there should not be two people speaking for the BBC; there should be one speaking for the management (the chairman of the BBC Board), and one for the licence fee payer (the chairman of the BBC Trust). They may not always agree. The chairman of the Trust should look after the money and the needs and interests of licence payers. The chairman of the BBC Board should look after the running of the BBC.

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<sup>16</sup> Evidence given on 15 March 2005.

4.3.6. We noted that, in this same evidence to the Select Committee, Michael Grade compared the Green Paper's proposals for the BBC Trust with the Scott Trust, which owns Guardian Media Group plc. However, the evidence (as set out in the uncorrected transcription available on the committee's website) is misleading: unlike the proposals for the BBC Trust and Executive Board, both the Scott Trust and GMG plc have a non-executive chairman. We understand that the existence of these two discrete posts is important to each of the two bodies being able satisfactorily to fulfil their responsibilities and, crucially, to the Chief Executive of GMG plc having appropriate support. However, there are other unique factors about the Scott Trust (for example, that it exists to protect the financial and editorial independence of particular publications, rather than to serve the interests of a large body of people, such as licence fee payers), which means it may not be appropriate to extend comparisons between the two models too far.

#### 4.4. Ofcom

4.4.1. In establishing Ofcom, Parliament vested power in, and the industry has since invested money in, a regulator with substantial broadcasting and competition expertise. We believe that Ofcom has quickly established itself as a powerful regulatory force, combining evidence, knowledge and judgement in its decisions.

4.4.2. Ofcom should have an increased role in regulating the BBC, applying any type of regulation to the BBC which commonly applies to all broadcasters. In particular, Ofcom's broadcasting competition expertise should be applied to the BBC as it is applied to all commercial broadcasters. It is vital that there should be no inconsistency across the broadcasting sector regarding the application of competition powers.

4.4.3. We support the view that Ofcom should be given ex ante powers over the BBC. These powers would ensure an effective means by which to evaluate whether the BBC's behaviour has a detrimental effect on competition and, if it does, to apply an appropriate remedy. The areas to which this power might be applied include cross-promotion, pre-release record deals and buying national rights without permitting local radio rights to be sold separately.

4.4.4. In its response to the Green Paper, the BBC suggests that extending ex ante competition powers to Ofcom would allow 'Ofcom the power to second-guess any decision it chose'<sup>17</sup>. This is a misleading statement. Ofcom would only be able to intervene on the basis of a proper, consistent and transparent procedure, which would be legally enforceable and could be reviewed by the Competition Appeals Tribunal, as is the case with any other competition decision made by any other competition-empowered regulator.

4.4.5. We support the Green Paper's proposal that Ofcom should be invited to carry out market impact assessments in relation to the launch of new BBC services. We recommend that:

- Ofcom should run industry-wide consultations as part of the process of carrying out market impact assessments.
- Ofcom should be asked to make recommendations to the BBC Trust following any relevant market impact analysis it undertakes.

4.4.6. Market impact analyses should also be carried out for any substantial/material change to existing services as well as for the launch of new services. We believe there may also be some benefit in the BBC Trust commissioning Ofcom to undertake regular market impact analyses of the BBC's services, regardless of whether material changes are proposed. This would ensure that an evolving picture of the BBC's impact is available, allowing the cumulative effect of subtle changes to BBC services, or of changes in commercial broadcasting provision, to be understood.

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<sup>17</sup> BBC response to The Green Paper on BBC Charter Review, May 2005, pg 66

- 4.4.7. Ofcom should conduct external assessments of the BBC's performance of its fair trading commitments.
- 4.4.8. We were surprised to note that, in its response to the Green Paper, the BBC suggests that Ofcom might not be best placed to conduct market impact assessments and that a third body should be jointly appointed by the BBC Trust and Ofcom to conduct the assessments. We are particularly surprised to note that the BBC does not trust Ofcom to act impartially, and instead implies that it might favour the sectors it regulates<sup>18</sup>. It seems to us quite incredible to propose that, on the one hand, the BBC Trust will be sufficiently impartial to act in the wider interests of the licence fee payer rather than the BBC when making important judgements about whether to launch new services, but that Ofcom will be unable to conduct impartial factual market assessments based on its market knowledge and expertise. We therefore strongly reject the BBC's assertions in this regard.
- 4.4.9. We recommend widening Ofcom's powers over the BBC to include impartiality and accuracy. External regulation of such matters will bring increased scrutiny, improve public confidence and deliver important cross-industry consistency in adjudications. The BBC's counter arguments to this make little sense in the new world within which the BBC will operate.<sup>19</sup> The BBC quotes the Communications White Paper's argument (published in 2000) that the Governors' overarching responsibility for editorial independence means they are the best organisation to oversee impartiality complaints as its only reason why the BBC Trust, rather than Ofcom, should regulate accuracy and impartiality. This ignores the fact that every board of every commercial broadcaster has a legal duty to ensure that its output complies with Ofcom's codes (which include accuracy and impartiality), yet the regulation of these issues still rests with Ofcom.
- 4.4.10. The days of double standards in accuracy and impartiality regulation are surely long past, and Ofcom should regulate the BBC in these matters.
- 4.5. The National Audit Office
- 4.5.1. CRCA believes that there should be greater transparency in BBC accounting, with increased involvement from the National Audit Office (NAO). The involvement of the NAO will not threaten the BBC's editorial independence from Parliament, so long as its remit is appropriately drawn. For example, the NAO's power to investigate value for money at BBC World Service appears to work well.
- 4.5.2. It is currently difficult to extract meaningful financial information from the BBC Annual Report. A body in receipt of generous public funding should be fully financially accountable to its licence fee payers, and its accounts should be presented in a wholly transparent and consistent manner. Continual changes to reporting methods make comparisons difficult.
- 4.5.3. CRCA wrote to the BBC asking for financial information about expenditure on each of its networks, allocation of central spending, spending on external and cross-promotions, and budgets for some individual programmes. For some of the information we requested, we were directed to a report produced by the BBC for the Charter Review Seminar on radio in October 2004, information which the BBC is not obliged to produce. The other information we requested was not disclosed because the BBC considered that it fell outside of the remit of the Freedom of Information Act. We do not think it is satisfactory that public expenditure should be cloaked in such mystery. A copy of the letter, and the BBC's reply, is included with this submission as Appendix C.

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<sup>18</sup> BBC response to The Green Paper on BBC Charter Review, May 2005, pg 70

<sup>19</sup> BBC response to The Green Paper on BBC Charter Review, May 2005, pg 66

## 5. Advertising/Sponsorship on the BBC

### 5.1. On-air coverage of sponsored events

- 5.1.1. We are concerned by the increasingly prevalent practice of BBC broadcasts giving on-air commercial value to sponsors of events. Recent high profile examples of this include 'The RBS Six Nations' on radio and television, 'Crufts sponsored by Pedigree' on BBC2 and 'The British Academy Television Awards sponsored by Pioneer' on BBC1.
- 5.1.2. The mentions for these events is now going far beyond the established practice of quoting the title of the event to which the sponsor has attached their name (such as "The RBS Six Nations") and now also includes presenters giving several sponsor credits during the programme itself. The manner in which this is done is indistinguishable from how a commercial broadcaster would fulfil a commercial arrangement.
- 5.1.3. CRCA commissioned Carat Sponsorship to assess the value of sponsor mentions given by the BBC during its television coverage of four key events: the RBS Six Nations, the Barclays Premier League, Flora London Marathon and Renault Proms in the Park. They compared this with the cost of broadcast and sponsorship rights. Their report is attached as Appendix D.
- 5.1.4. Carat Sponsorship's report found that sponsors like to have their events aired on the BBC because its output is less 'cluttered' with other commercial mentions than commercial channels, and concluded that this environment gave sponsors an additional at least 10% of value for the profile given on BBC over the profile a commercial broadcaster could deliver.
- 5.1.5. Carat Sponsorship also concluded that event owners like their events being on the BBC because of the cross-media profile (including radio, magazines and on line coverage) the BBC can bring. We note that this unique environment means the event owner can attract more sponsorship money to the event. This practice is wrong and harmful for two key reasons:
- The commercial-free environment offered to the sponsor by the BBC is the result of the funding privilege offered by the licence fee. By using this privilege to secure broadcast rights at a price comparable to that which would be paid by commercial broadcasters, the BBC is using the licence fee to give it an unfair bargaining advantage, and thereby providing advertising opportunities for commercial companies.
  - When an event sponsor pays (through securing the event sponsorship rights) to have their brand exposed and promoted on BBC television and radio, this reduces the amount of budget that sponsor has to spend on other commercial ventures, including with commercial broadcasters.
- 5.1.6. Carat Sponsorship's calculations of the value delivered to the commercial sponsors of events broadcast on BBC Television are set out in Table 3 below. It should be noted that, because of the limited monitoring data available, the sponsorship value delivered does not include value delivered in news programming, other programming which relates to the event, or coverage on BBC radio.

**Table 3**

<b>Event &amp; Sponsor</b>	<b>Cost of Broadcast Rights</b>	<b>Cost of Sponsorship Rights</b>	<b>Sponsorship Value Delivered</b>
Barclays Premiership	£26.25m	£17.0m	£29.3m
Renault Proms in the Park	n/a	unknown	£0.035m
Flora London Marathon	unknown	£2.0m	£2.0m
RBS Six Nations	£23.3m	£5.75m	£8.4m

5.1.7. Such activity reduces the already diminishing pot of money available from advertisers for commercial broadcasters and also gives the BBC an unfair advantage when negotiating coverage rights. It constitutes advertising on the BBC by the backdoor and should be prohibited.

## 5.2. Commercial sponsorship of BBC events

5.2.1. Over recent years, the BBC has entered an increasing number of sponsorship arrangements to provide additional funding for off-air activities. Examples have included Vodafone's sponsorship of One Big Sunday, a Radio 1 event, and Renault's involvement with Proms in the Park.

5.2.2. The BBC receives generous and guaranteed funding from the licence fee. These funds should be sufficient to meet the full costs of its activities. When the BBC uses commercial funds to support its events it impacts negatively on the commercial sector by reducing advertisers' available spend for other ventures.

5.2.3. The BBC also uses programming paid for by licence fee payers to promote the events, thereby attracting a wider audience to the event, and increasing the sponsors' exposure. This is an inappropriate use of licence fee payers' money.

5.2.4. Carat Sponsorship's report, referred to above, calculates the value delivered to Renault by the BBC.

5.2.5. There is no need for the BBC to seek commercial funds to support events and it should be prohibited from doing so.

## 5.3. Recommendations

5.3.1. We note that in his recent review of the BBC's digital radio services, Tim Gardam stated that *'One would expect the BBC to be especially rigorous in not mentioning sponsors names, or giving other potentially valuable commercial exposure, in its coverage'*. Such rigour is not currently evident. However, even if it was, we do not believe that behavioural remedies are sufficient in this area and recommend that the Licence and Agreement should impose appropriate prohibitions on these practices.

## 6. Other Commercial Issues

### 6.1. Bi-media talent deals

6.1.1. The BBC has, in the past, locked performers into bi-media deals which prevent them from appearing on commercial radio even if they are not appearing on BBC radio. This represents an abuse of the BBC's dominant position. We believe that the Licence and Agreement in the new Charter period should prevent such arrangements.

### 6.2. Sports & Music Rights

6.2.1. We note and endorse the views of our member SMG on the impropriety of a publicly-funded broadcaster negotiating exclusive rights since exclusive coverage does not benefit licence fee payers and may in fact reduce listener or viewer choice.

## 7. BBC Radio

### 7.1. Overview

7.1.1. BBC radio enjoys many structural advantages over commercial radio including an advert-free environment, better spectrum access, the obvious funding privileges, cross-media cross-promotional might and an ability to invest in digital radio without risk. Given this 'head start', it is therefore particularly important that licence fee resources are used to fund output that could not be provided commercially.

7.1.2. In 2004, Tim Gardam wrote, *'It is impossible not to conclude that the DCMS, in framing BBC 7's conditions, was surprisingly indifferent to a commercial service already in the*

*marketplace, pioneering a technology that it was government policy to encourage .... In public policy terms, it might have been better if the opportunity to engender public service competition had taken priority over the BBC's institutional interests in expanding its own services.*<sup>20</sup>

7.1.3. In the following paragraphs we set out why achieving the right balance between the BBC's interests and those of the wider radio market, that is, the engendering of public service competition, is so important.

## 7.2. Format clustering

7.2.1. The Green Paper states that commercial radio stations 'tend to cluster towards the middle ground of taste, in order to reach the widest possible audience'<sup>21</sup>. It is certainly true that commercial radio stations' output is driven by the need to attract an audience which advertisers want to reach, and this does mean that the most commercially-viable services are those which reach the 15-44 demographics. But this statement does some considerable disservice to the range of format innovation which has been pioneered and maintained by commercial radio throughout its more than thirty year history.

7.2.2. In analogue radio, commercial radio has recently launched services specifically targeting older listeners, and great financial risks have been taken in developing classical music and speech services. Digital radio takes the story still further, with children's radio services, Fun Radio and Capital Disney; services targeting older listeners, PrimeTime Radio; and the national plays, books and comedy service, oneworld.

7.2.3. However, commercial radio's ability to take the financial risks necessary to extend listener choice into these less advertiser-popular demographics depends upon its ability to generate strong revenues from wide-appeal formats. It is for this reason that the BBC's increasing focus on attracting younger listeners is of particular concern.

7.2.4. A type of centre-ground clustering has characterised recent changes to BBC radio output, particularly during peak daytime listening hours. It is our clear impression that BBC radio is intent on building audience share through popular and contemporary programming targeted at an increasingly young audience. This is particularly evident in the increasing amount of contemporary music being played on existing and new services. For example:

- Radio 2's refocus has dramatically increased its appeal to younger listeners<sup>22</sup> with 35% of its songs coming from the past five years and 48% from the past fifteen years<sup>23</sup>.
- 95% of Radio 1's daytime music is from the past five years<sup>24</sup>.
- BBC local radio's output appears to be reformatting its output, appealing to younger listeners (see later in report for more detail and BBC response).
- BBC 6 Music, having been initially charged with playing music from the 1970's to the 1990's, now plays 45% of its music from the last four years<sup>25</sup>.
- 'New' music<sup>26</sup> alone accounts for 70% of 1Xtra's tracks<sup>27</sup>.

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<sup>20</sup> Review of BBC Digital Radio Services

<sup>21</sup> Para 1.4, pg 21

<sup>22</sup> Since 1999, Radio 2's share of listening amongst 25-34s has more than doubled, its share among 35-44s has grown by 70% and its share among 45-54s has grown by 33%. In contrast, its share among 55 to 64s has grown by just 4% and its share of 65+ listening has dropped (Q1 99 v Q1 05).

<sup>23</sup> BBC-published research from 'Intelligent Media' for Charter Review Seminar on radio in October 2004

<sup>24</sup> BBC-published research from 'Intelligent Media' for Charter Review Seminar on radio in October 2004.

<sup>25</sup> Gardam Review of BBC Digital Radio Services

<sup>26</sup> Pre-release tracks or tracks within one month of release

<sup>27</sup> Gardam Review of BBC Digital Radio Services

7.2.5. Although some of these stations have specific remits to play new music, it seems to us that this represents a lot of stations playing current music at public expense. There is no lack of audience choice in the 15-44 demographic which advertisers want to reach, yet the above data strongly points to a BBC which is intent on increasing its appeal to this demographic.

7.2.6. If the BBC continues to use its inherent structural advantages to compete aggressively for audience share amongst commercially-attractive younger demographics, considerable damage will be done. As Tim Gardam noted in his review of the BBC's digital radio services, *'The Radio 2 experience shows how effective the BBC can be when it focuses its mind – and its unparalleled resources – on increasing audience share.'*

### 7.3. The need for plurality of public service provision

7.3.1. At the BBC Charter Review Seminar on Radio in October 2004, BBC radio controllers continually justified the scheduling of competitive, populist output because it allowed listeners subsequently to hear elements of public service broadcasting. However, this analysis ignores three vital points:

- It allows BBC radio to do just about anything most of the time, so long as it provides specific points of claimed uniqueness from time to time.
- It wrongly implies that valuable content (such as news) is not being provided on the station(s) from which the BBC has attracted its increased audience.
- By using its cross-promotional, marketing, budgetary and spectrum power to attract listeners from commercial stations, the BBC is undermining the commercial sector's ability to invest in quality content.

7.3.2. A strong commercial broadcasting industry is vital to plurality, competition and quality. If the BBC is allowed to continue to expand and compete without restraint, the wider communications ecology will be damaged.

7.3.3. The BBC argues that, if it is asked merely to meet market failure, it will be confined to providing unpopular and dull programming. We do not agree. There is a good deal of popular programming which cannot be funded commercially, and we believe that this should be the focus of the BBC's activities. Examples of this include Radio 4's speech output, the live music on Radio 1 (which should receive greater peaktime exposure), and programmes which appeal to the large percentage of the population that advertisers are less interested in reaching.

### 7.4. Recommendation

7.4.1. The BBC must be regulated to ensure that it pays better attention to the wider market impact of its activities both in terms of new services and the character of existing services. If this does not happen, it is hard to see how the situation which Tim Gardam observed in relation to BBC7 will be avoided in the future.

## 8. BBC Radios 1 & 2

### 8.1. Music: Ratings v Reputation

8.1.1. The BBC, and the Green Paper argue that, because Radios 1 and 2 provide a unique mix of speech and music they are worthy of public funding. An important point is missed in this analysis: by definition, every different station provides a unique mix. While there is no doubt that Radios 1 and 2 are popular, we question the extent to which they deliver maximum public value to listeners.

8.1.2. For example, although the stations play more live music than their commercial competitors, this is concentrated in off-peak. Similarly, their specialist music schedules are consigned to the evenings where the stations have lower audiences.

- 8.1.3. Radios 1 and 2 deliver relatively lower proportions of their audience during 1900-0600 than local commercial radio does<sup>28</sup>. When combined with an understanding of the scheduling of specialist and populist programming, this suggests that Radios 1 and 2's relatively high daytime audience delivery is being driven by programming of more popular output.
- 8.1.4. Some shows programmed at peaktime, such as "Steve Wright In the Afternoon", rely heavily on populist programming techniques. For example, more than 50% of the songs played on Wright's show are Top 10 hits and 61% are Top 20 hits<sup>29</sup>, and the speech content of the programme is based on trivia and celebrity guests. This contrasts with the Green Paper's review of Radio 2's overall output: '52% of the tracks played have not entered the Top 20 singles chart'<sup>30</sup>.
- 8.1.5. Similarly, although considerable focus is placed by the Green Paper on the uniqueness of the music on Radio 1, its breakfast show has much higher levels of duplication with commercial radio than its overall output. Further analysis shows that, between 0700 and 0900, Radio 1 is 51% less distinctive than at other times of the day. By contrast among the commercial stations evaluated, we found that most had breakfast shows that were more unique than their overall output, including 95.8 Capital FM, whose breakfast show is 19% more unique, Kiss 100 (28% more unique), Leicester Sound (58% more unique) and The Wave (89% more unique)<sup>31</sup>. In fact, all but one (Beat 106) of the commercial stations surveyed offered greater distinctiveness of music output than Radio 1 at breakfast compared with their overall output. Table 4 below explains.

**Table 4**

STATION	BREAKFAST (0700 – 0900)	FULL WEEK	% breakfast is more or less unique than overall output
	Unique Songs as % of Total Songs Played		
Beat 106	20%	48%	- 58%
<b>Radio 1</b>	<b>28%</b>	<b>57%</b>	<b>- 51%</b>
Xfm	51%	66%	- 23%
Galaxy	41%	49%	- 16%
Virgin	43%	41%	+ 5%
Key 103	31%	29%	+ 7%
Capital	31%	26%	+ 19%
Kiss	41%	32%	+ 28%
Leics Sound	41%	26%	+ 58%
The Wave	66%	35%	+ 89%

**Source:** Intelligent Media (8<sup>th</sup> – 15<sup>th</sup> May 04) further analysis of BBC-published research for Charter Review Seminar on radio in October 2004. See Appendix E.

- 8.1.6. These two examples demonstrate how the BBC's popular music services are seeking to maximise ratings during peak listening, rather than concentrating their distinctiveness at those times. Commercial radio contends that publicly-funded benefits should not be confined by BBC radio to times when most of the public are not available to listen.
- 8.1.7. In addition, analysis of the daytime output of Radios 1 and 2 reveals patterns of considerable overlap amongst the most-played songs. For example, of the songs played more than once across a week<sup>32</sup>, 74% of Radio 1 songs were also played on

<sup>28</sup> Just 12.2% of Radio 1's total listening hours, and 8.7% of Radio 2's total hours are delivered 1900-0600, compared with 16% of local commercial radio's. Similarly 42.5% of Radio 1's reach and 38.5% of Radio 2's reach is delivered 1900-0600 compared with 51.9% of local commercial radio's. (RAJAR Q1, 05)

<sup>29</sup> Source: Intelligent Media (18<sup>th</sup> – 25<sup>th</sup> April 2005). Full results at Appendix F.

<sup>30</sup> Para 8.22, pg 93

<sup>31</sup> BBC-published research from 'Intelligent Media' for Charter Review Seminar on radio in October 2004.

<sup>32</sup> 97 songs representing 499 plays on Radio 1, and 26 songs representing 132 plays on Radio 2

either 95.8 Capital FM, Beat 106 or Xfm, and 73% of Radio 2 songs were also played on at least one of these three GCap Media stations<sup>33</sup>. This overlap with stations generally targeting younger listeners illustrates Radio 2's determination to pursue a more youthful demographic.

8.1.8. Looking at the 20 most-played songs on each station, and comparing them to these three stations alone, 80% of Radio 1's top songs were also played on at least one of the GCap Media stations and 70% of Radio 2's top songs overlapped.

8.1.9. Whilst the music research published by the BBC and used to frame many of the arguments in the Green Paper appear initially compelling, these results show that there are many ways of assessing the distinctiveness of Radios 1 and 2, and that the BBC's own assessment (the one on which the Green Paper relies) is just part of the picture.

## 8.2. Public purpose speech output on Radios 1 and 2

8.2.1. Content by broadcasters can be divided into two broad categories. The first is content which is made up of original work that is commissioned, organised, scripted or performed by the broadcaster, such as music sessions, discussions, comedy or information. The second category is creative work which is purely replayed by the broadcaster, such as commercial recorded music. While BBC Radios 3, 4 and 5 are made up of high levels of the former 'original content' (almost 100% in the case of Radios 4 & 5), which commercial broadcasters would have difficulty in making financially viable, BBC Radios 1 and 2 rely for the majority of their output on relaying other people's content which is just as easily provided by commercial services, that is, they play CDs.

8.2.2. Since, therefore, the majority of Radios 1 and 2's output is simply a matter of putting existing material into a particular order, it may be more reasonable to look at the material between the records, i.e. the speech output, of a radio station to determine its public purposes.

8.2.3. CRCA decided to do just this for BBC Radios 1 and 2. Intelligent Media was commissioned to monitor and transcribe all of the daytime speech output (0600-1900) on these stations during one randomly chosen weekday and one weekend day in April. The transcriptions were then analysed by Hallett Arendt. We asked Hallett Arendt to categorise the speech output according to whether it met the new public purposes for the BBC as set out in the Green Paper. We also asked that, of the speech that they could not categorise in this way, they noted how much was spent promoting other BBC programmes, channels or events. Hallett Arendt's report is attached at Appendix G. Intelligent Media's transcriptions are available on request.

8.2.4. Table 5 below sets out the summary findings for Radio 1<sup>34</sup>:

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<sup>33</sup> GCap Media music analysis, 0600-1800, week commencing 18.04.05. Tables at Appendix H.

<sup>34</sup> Hallett Arendt coded speech as contributing to each purpose in either a 'core' or 'marginal' way. The figures noted in these tables show 'core plus marginal' delivery.

**Table 5 – Radio 1 speech analysis**

	% of speech contributing to each public purpose		
	weekday	weekend	cumulative
Sustaining citizenship & civil society	24%	8%	18%
Promoting education & learning	2%	0%	1%
Stimulating creativity & cultural excellence	0%	0%	0%
Representing the UK, its Nations, regions & communities	0%	0%	0%
Bringing the UK to the world & the world to the UK	3%	2%	2%
Building digital Britain	0%	0%	0%
<b>No public purpose contribution ...</b>	<b>71%</b>	<b>90%</b>	<b>79%</b>
<i>... of which, BBC self-promotion</i>	15%	16%	15%

- 8.2.5. Hallett Arendt found that the overwhelming majority of speech content on Radio 1 (71% weekday and 90% weekend) made no contribution to the new public purposes for the BBC. That speech output which did predominantly fell into the category 'Sustaining Citizenship & Civil Society' as a result of the station's news bulletins, one of which was an extended News Beat about the general election.
- 8.2.6. A large amount of the non-public purpose speech output was spent promoting other Radio 1 or BBC programmes or events, including the Radio 1 weekend in Sunderland and Chris Moyles's forthcoming appearance on Top Of The Pops.
- 8.2.7. At the weekend in particular, Hallett Arendt found that some shows made no public purpose contribution whatsoever other than through their news bulletins.
- 8.2.8. Table 6 below set out the summary findings for Radio 2:

**Table 6 – Radio 2 speech analysis**

	% of speech contributing to each public purpose		
	weekday	weekend	cumulative
Sustaining citizenship & civil society	45%	11%	28%
Promoting education & learning	10%	3%	6%
Stimulating creativity & cultural excellence	0%	9%	5%
Representing the UK, its Nations, regions & communities	0%	0%	0%
Bringing the UK to the world & the world to the UK	4%	4%	4%
Building digital Britain	0%	0%	0%
<b>No public purpose contribution ...</b>	<b>41%</b>	<b>73%</b>	<b>57%</b>
<i>... of which, BBC self-promotion</i>	2%	3%	2%

- 8.2.9. Hallett Arendt found that a greater proportion of Radio 2's output contributed to the BBC's new public purposes and that less time was spent promoting other BBC programmes and events. Again representation of 'Sustaining citizenship and civil society' was highest. This was largely due to the station's news bulletins and the Jeremy Vine programme. An interview on the Johnnie Walker programme contributed to 'promoting education and learning'.
- 8.2.10. It is clear that the Jeremy Vine programme makes a substantial contribution to public purposes, so we asked Hallett Arendt to conduct further analysis of Radio 2's speech

output *excluding* the two hours of his programme. This dropped the station's public purpose speech content from 59% to 48%.

8.2.11. Radio 2's weekend output shows a different picture, with only 27% of the station's speech content contributing to a public purpose.

8.2.12. Across both stations there is considerable fluctuation in public purpose delivery on a per-programme basis. Tables 7 and 8 set out some examples.

**Table 7 – Radio 1- Individual show speech analysis**

	% of speech contributing to each public purpose				
	Chris Moyles	Jo Whiley *	Colin & Edith	Scott Mills *	Vernon Kay
Sustaining citizenship & civil society	13%	39%	9%	47%	6%
Promoting education & learning	5%	0%	0%	0%	0%
Stimulating creativity & cultural excellence	0%	0%	0%	0%	0%
Representing the UK, its Nations, regions & communities	0%	0%	0%	0%	0%
Bringing the UK to the world, and the world to the UK	2%	5%	2%	2%	2%
Building digital Britain	0%	0%	0%	0%	0%
<b>No public purpose contribution ...</b>	<b>80%</b>	<b>56%</b>	<b>89%</b>	<b>51%</b>	<b>92%</b>
<i>... of which, BBC self-promo</i>	<i>23%</i>	<i>11%</i>	<i>9%</i>	<i>8%</i>	<i>25%</i>

\* includes Newsbeat

**Table 8 – Radio 2- Individual show speech analysis**

	% of speech contributing to each public purpose				
	Terry Wogan	Jeremy Vine	Steve Wright	Johnnie Walker	Jonathan Ross
Sustaining citizenship & civil society	23%	94%	23%	41%	5%
Promoting education & learning	0%	0%	18%	37%	0%
Stimulating creativity & cultural excellence	0%	2%	0%	0%	6%
Representing the UK, its Nations, regions & communities	0%	2%	0%	3%	0%
Bringing the UK to the world, and the world to the UK	5%	0%	4%	1%	3%
Building digital Britain	1%	0%	0%	0%	0%
<b>No public purpose contribution ...</b>	<b>71%</b>	<b>2%</b>	<b>55%</b>	<b>17%</b>	<b>86%</b>
<i>... of which, BBC self-promo</i>	<i>2%</i>	<i>1%</i>	<i>2%</i>	<i>4%</i>	<i>1%</i>

8.2.13. Some shows on BBC Radios 1 and 2 make a greater contribution to public purposes than others. Some, such as Vernon Kay and Jonathan Ross, make almost none. In general, Radios 1 and 2 are relying on their regular news bulletins to deliver public purpose speech radio.

8.2.14. However, justifying the funding received by Radios 1 and 2 by their news output is insufficient. Commercial radio also delivers news bulletins on a regular basis:

- Of the 218 stations who submitted data to CRCA’s audit of public service broadcasting, 148 broadcast more news output than Radio 1 promises in its annual Statement of Programme Policy<sup>35</sup>.
- Radio 2’s Statement of Programme Policy promises 800 hours of news and current affairs a year, of which 520 hours is accounted for by Jeremy Vine’s programme. This leaves a commitment to 323 minutes week of news, a figure bettered by 163 of the 218 stations that participated in commercial radio’s audit.
- Commercial radio stations broadcast an average of 470 minutes of news per week.

8.2.15. If, as Hallett Arendt found, BBC Radios 1 and 2 are relying almost exclusively on their news bulletins to deliver any meaningful amount of public purpose speech output, and if, as CRCA’s research has shown, commercial radio is (without the aid of generous public funds) exceeding the BBC stations’ news delivery, we believe there are serious questions to be asked about the public purposes of Radios 1 and 2.

### 8.3. Comparison of BBC and commercial radio public purpose speech

8.3.1. Hallett Arendt’s research found that, of the four stations monitored in total, Radio 2 has the greatest proportion of public purpose speech (59%) followed by Lincs FM (51%), Radio City (36%) and Radio 1 (29%). The high public purpose content of the Jeremy Vine programme is the main reason for this, although, on the day monitored, Johnnie Walker’s guest interview also made a substantial contribution to the public purpose output of the station.

**Table 9 – Speech analysis comparison – weekday 0600-1900**

	% of speech contributing to each public purpose			
	Radio 1	Radio 2	Lincs	City
Sustaining citizenship & civil society	24%	45%	47%	30%
Promoting education & learning	2%	10%	2%	2%
Stimulating creativity & cultural excellence	0%	0%	0%	0%
Representing the UK, its Nations, regions & communities	0%	0%	0%	0%
Bringing the UK to the world & the world to the UK	3%	4%	2%	4%
Building digital Britain	0%	0%	0%	0%
<b>Total public purpose contribution</b>	<b>29%</b>	<b>59%</b>	<b>51%</b>	<b>36%</b>
<b>No public purpose contribution ...</b>	<b>71%</b>	<b>41%</b>	<b>49%</b>	<b>64%</b>
<i>... of which, station self-promotion</i>	<i>15%</i>	<i>2%</i>	<i>1%</i>	<i>0%</i>

8.3.2. Turning to breakfast shows<sup>36</sup>, Hallett Arendt found that the commercial radio stations monitored deliver higher proportions of public purpose speech at this key listening time. Lincs FM showed the highest proportion of public purpose speech output at this time (53%), followed by Radio City (35%), Radio 2 (29%) and Radio 1 (20%). The local news and information services provided by the commercial stations contrasts with the entertainment-driven output of the BBC services at breakfast.

<sup>35</sup> Radio 1’s commitment to 310 hours a year (357 minutes a week) includes sport and current affairs whereas the commercial radio data is for news alone.

<sup>36</sup> In each case, the data noted is for the show promoted by the station as its Breakfast Show, rather than a set period between two times. For example, Terry Wogan’s show runs from 0730 to 0930 whereas Lincs FM’s breakfast show runs from 0600 to 0900.

**Table 10 – Speech analysis comparison – weekday breakfast shows**

	% of speech contributing to each public purpose			
	Radio 1	Radio 2	Lincs	City
Sustaining citizenship & civil society	13%	23%	44%	27%
Promoting education & learning	5%	0%	6%	6%
Stimulating creativity & cultural excellence	0%	0%	0%	0%
Representing the UK, its Nations, regions & communities	0%	0%	0%	0%
Bringing the UK to the world & the world to the UK	2%	5%	3%	2%
Building digital Britain	0%	1%	0%	0%
<b>Total public purpose contribution</b>	<b>20%</b>	<b>29%</b>	<b>53%</b>	<b>35%</b>
<b>No public purpose contribution ...</b>	<b>80%</b>	<b>71%</b>	<b>47%</b>	<b>66%</b>
<i>... of which, station self-promotion</i>	23%	2%	1%	0%

8.3.3. At drivetime, Radio 2 offers the highest proportion of public purpose speech (82%). This is explained by the educational content of an extended interview with Anthony Horowitz on the day monitored. Both Radio City (63%) and Lincs FM (62%) deliver considerably more public purpose output than Radio 1's drivetime show (49%) despite the inclusion of Newsbeat's extended election special within the Radio 1 drivetime show on the day monitored.

**Table 11 – Speech analysis comparison – weekday drivetime**

	% of speech contributing to each public purpose			
	Radio 1	Radio 2	Lincs	City
Sustaining citizenship & civil society	47%	41%	61%	53%
Promoting education & learning	0%	37%	0%	0%
Stimulating creativity & cultural excellence	0%	0%	0%	0%
Representing the UK, its Nations, regions & communities	0%	3%	0%	0%
Bringing the UK to the world & the world to the UK	2%	1%	1%	10%
Building digital Britain	0%	0%	0%	0%
<b>Total public purpose contribution</b>	<b>49%</b>	<b>82%</b>	<b>62%</b>	<b>63%</b>
<b>No public purpose contribution ...</b>	<b>51%</b>	<b>17%</b>	<b>38%</b>	<b>37%</b>
<i>... of which, station self-promotion</i>	8%	4%	0%	0%

8.3.4. Hallett Arendt's research demonstrates that Radio 1's public purpose speech compares poorly to the commercial stations monitored at all times of the day, and particularly at the key listening time of breakfast. Radio 2's public purpose delivery is also relatively low at breakfast, and despite its vastly greater resources, only better Lincs FM by 8% in daytime overall. These comparisons reinforce our concern about the extent to which BBC Radios 1 and 2 are using public funds to deliver public purposes.

#### 8.4. Listeners' views on Radios 1 & 2 and the BBC's new public purposes

8.4.1. Having undertaken some assessment of whether the speech and music output of Radios 1 and 2 meet public purposes, CRCA thought it important to understand listeners' perceptions of the stations in relation to public purposes, and commissioned Hallett Arendt to design a survey, with the fieldwork conducted as part of the Omnibus survey. 945 members of the public across the UK were surveyed, and their responses

were appropriately weighted. The summary tables from the survey are attached as Appendix I. Full cross tabulations are available on request.

- 8.4.2. In order to understand listeners' perceptions of the stations, they were shown a showcard setting out ten possible statements to describe their understanding of the stations. Because we wanted to know the views of all licence fee payers, all adults were asked, whether listeners or not, and the results were analysed according to listeners and non-listeners.
- 8.4.3. Six of the ten possible statements<sup>37</sup> were designed to reflect the new BBC purposes in language that would be meaningful to the public, and the remaining four explored issues of music, presentation, entertainment and cross-promotion. Respondents were asked to rank all ten statements according to how they best described their understanding of the station.
- 8.4.4. Table 12 below shows what percentage of each group chose each statement as the best description of their understanding of the station.

**Table 12**

	RADIO 1		RADIO 2	
	listeners	non-listeners	listeners	non-listeners
This station plays popular music	59%	17%	43%	11%
This station has well known presenters	10%	4%	17%	4%
This station has lots of entertaining & fun items (e.g. comedy, celebrities, competitions etc)	7%	1%	6%	2%
This station keeps me up to date with news, information and by analysing current events *	4%	2%	9%	1%
This station keeps me up to date and informed about international news & views *	3%	1%	4%	1%
This station helps me expand my knowledge about a wide range of topics *	2%	1%	4%	1%
This station is promoted on television, in the press and in adverts around the country	2%	1%	1%	0%
This station represents different regions and diverse communities around the UK *	1%	0%	2%	0%
This station stimulates my interest and participation in cultural activities *	0%	0%	1%	1%
This station has encouraged me to listen to DAB digital radio *	0%	0%	1%	1%

- 8.4.5. These results demonstrate that Radio 2's spending on high profile presenters has paid dividends with its listeners. Of those statements which relate directly to the BBC's new public purposes, listeners felt that the stations most closely matched the one which related to keeping them up to date with current issues. This probably reflects the regular news bulletins broadcast by both stations which, as Hallett Arendt's speech output analysis demonstrated, delivers the overwhelming majority of Radios 1 and 2's public purposes output. Radio 2's relatively high score in this regard probably relates to Jeremy Vine's programme.
- 8.4.6. Table 13 below accumulates the total percentage of each group that felt the statement met their first, second or third best description of their understanding of the station.

<sup>37</sup> These are noted with a \* in the tables

**Table 13**

	RADIO 1		RADIO 2	
	listeners	non-listeners	listeners	non-listeners
This station plays popular music	79	23	64	14
This station has well known presenters	55	20	55	13
This station has lots of entertaining & fun items (e.g. comedy, celebrities, competitions etc)	51	14	42	13
This station keeps me up to date with news, information and by analysing current events *	29	6	38	5
This station keeps me up to date and informed about international news & views *	16	4	15	4
This station helps me expand my knowledge about a wide range of topics *	8	4	14	6
This station is promoted on television, in the press and in adverts around the country	11	4	12	4
This station represents different regions and diverse communities around the UK *	8	4	11	3
This station stimulates my interest and participation in cultural activities *	7	2	10	3
This station has encouraged me to listen to DAB digital radio *	4	1	2	1

8.4.7. The ranking positions of each statement are unchanged, even when second and third mentions are taken into account.

8.4.8. We recognise that assessing the extent to which consumers are aware of, appreciate, and are influenced by, public policy objectives is a difficult business. However, this exercise clearly demonstrates that listeners' perceive Radios 1 and 2 as celebrity-presented, entertainment-based pop music stations.

#### 8.5. Delivering value for public money

8.5.1. One of the key responsibilities of the new BBC Trust will be ensuring that the licence fee payer is receiving good value for money. We believe this must include an assessment of whether or not public money is actually needed to provide particular services. That is, could the services be funded commercially without compromising their content or quality?

8.5.2. To explore this idea further, CRCA thought it would be valuable to test whether, in their current form, these stations require public money, and commissioned Opera Media<sup>38</sup> to assess the potential revenue which could be generated if Radios 1 and 2 were free to take advertising. Their report is attached as Appendix J and their findings are summarised in Table 14 below.

**Table 14**

	Radio 1	Radio 2
Potential Revenue	£66.9m	£73.7m
Total costs	£38.9m	£41.5m
Potential profit	£28.0m	£32.2m

Source: Opera Media

<sup>38</sup> Opera Media is a media investment company for the Omnicom media agencies in the UK, combining the buying power of OMD UK, PHD UK and Manning Gottlieb OMB. When it opened in July 2004 it had £1bn of billings, making it the largest negotiation point across all media markets.

- 8.5.3. Using the BBC's own expenditure data and a number of evidence-based marketplace and audience assumptions (including the effect that advertising would have on listening levels and how adding these two national pop music stations would affect the overall advertising market), Opera Media found that Radio 1 could generate £66.9m of revenue (thereby delivering a profit of £28m or 42% of turnover) and Radio 2 could generate £73.7m of revenue (a profit of £32.2m or 44%).
- 8.5.4. Opera Media's work demonstrates that, without having any impact on output or investment, Radios 1 and 2 could be commercially funded.
- 8.5.5. Of course, this does not mean that they should be commercially funded and CRCA is not asking for the privatisation of Radios 1 and 2. However, when combined with the programming and audience findings outlined above which demonstrate little delivery of public purposes by Radios 1 and 2, the results of this study mean it is difficult to argue that these stations currently represent a good use of public funds.

## **9. BBC Local Radio**

### **9.1. New services**

- 9.1.1. The BBC has seized upon ITV's alleged de-regionalisation as a reason for further investment in local television broadcasting and further local web-based activity. This is not required in local radio. CRCA's recent audit of public service broadcasting showed a significant and growing amount of local informational content on commercial radio<sup>39</sup>. Ofcom's launch of a third community radio tier is designed to increase still further the local relevance of non-publicly-funded radio. These provisions will be threatened by an increasingly aggressive, and even better resourced, BBC local radio unless restrictions are imposed.
- 9.1.2. We are therefore concerned by plans which BBC English Regions are developing for five new local radio stations in Somerset, Dorset, Cheshire, Bradford and the Black Country. They are listed in the Corporation's Statements on Programme Policy for 2005/6. The BBC has told us that this expansion is an attempt to equalise the local radio service delivered across different parts of England, as some parts of the country receive a dedicated service for their city or region, whilst others share services or must rely on opt-outs.
- 9.1.3. We are not convinced that equalising provision of service is a compelling argument, not least because radio services can never be equalised in this way. For example, the BBC argues that it should introduce a new service into Bradford, because at present 'two of England's largest cities, Leeds and Bradford, [are] left sharing a service'. However, this sharing of services between cities is not without precedent in BBC Nations & Regions. For example Southampton and Portsmouth are both served by Radio Solent; BBC Scotland serves both Glasgow and Edinburgh; and BBC Radio Newcastle also covers Sunderland.
- 9.1.4. We are interested to know why this particular inequity of service is of concern whereas others, such as the availability of digital services, the difference between the services provided in the English regions, and those serving the devolved nations, are not.
- 9.1.5. Other proposals include new services in Cheshire, Dorset and Somerset. These regions include some of the UK's smallest commercial radio services, several of which have launched in recent years<sup>40</sup>. These are small companies, who provide high volumes of local news and information and whose economic viability is fragile. This fragility was acknowledged by the government when, in the Community Radio Order

<sup>39</sup> News, weather and travel information provision increased by c.60% between 2000 & 2004, far outstripping the growth in the number of radio stations during the same period.

<sup>40</sup> Dee FM in Chester (Measured Coverage Area 110,213, launched 03/03), BCRfm in Bridgwater (MCA 38,299, launched 07/01), Ivel FM in Yeovil (MCA 105,501, launched 10/03), Quay West Radio in Minehead (MCA 18,269, launched 08/98), Vale FM in Shaftesbury (MCA 53,710, launched 06/95), Star 107.7 in Weston Super Mare (MCA 73,748 launched 10/99).

2004, it protected all five affected stations from a commercially-funded community radio service and two were deemed so marginal that it was decided no community radio service should be licensed in their area at all. We believe there would be an enormous inconsistency if, having secured this protection for these community-critical services in the Community Radio environment, they were to be subject to the enormous cross-media promotion and financial investment that would flow from a new BBC local radio service.

## 9.2. Changes to existing services

- 9.2.1. Our concern about these new services is compounded by a trend we have observed whereby BBC local radio appears to be refocusing its local radio music output, and to a lesser extent its speech features, towards a younger 45-54 age group. This move has already started pre-Charter renewal.
- 9.2.2. For example, Mia Costello, Editor of BBC Radio Solent was recently quoted in Xtrax magazine as having overseen *“a lighter, brighter, younger and more relevant station, with a new jingle package.”* She also says *“we’re now trying to attract people aged 45+”* rather than the over-60 age group to which the station’s appeal apparently used to be confined and the over-50 target referred to at Lord Burns’ radio day in October 2004.
- 9.2.3. BBC Radio Bristol is playing more new and current songs than in the past. It has even started to broadcast music sweepers containing refrains from artists such as Keane and Madonna with the strap line *“we pick the best of the songs from across the eras to suit any ears”*. We do not suggest that BBC local radio should not produce music sweepers, but believe that the choice of artists and the words being used strongly imply a wider and younger demographic focus than has previously been the norm.
- 9.2.4. At other stations, commercial radio programmers are noticing increased music content at key listening times, features to attract at-work listening and more music from current artists such as Joss Stone, Daniel Bedingfield and the Scissor Sisters. All of this seems to point to an attempt to attract a younger audience to BBC local radio.
- 9.2.5. We put these concerns to the BBC and were told that there is no policy to refocus BBC local radio to a younger audience, and that the BBC has no plans to change the average age of its BBC local radio listener from the current 55. We were told that the changes we had observed were simply the result of audience research which has shown that older listeners *“are getting younger at heart and younger in outlook”* and that the BBC would be *“failing in its public service duty if we didn’t recognise and act upon that fact”*.
- 9.2.6. These arguments sound to us to be very similar to those that were put forward by the management of BBC Radio 2 during its post 1999 format changes and which resulted in the audience profile changes outlined earlier whereby the greatest growth in audience increase is in the youngest demographics and listening amongst those aged 65+ has dropped.
- 9.2.7. Introducing these new strategies to make BBC local radio appeal to younger-at-heart older listeners will attract more younger listeners, and will not only disenfranchise those older listeners whose loyalty to Radio 2 has waned with the programming changes, but, by making further audience inroads, will undermine commercial radio’s ability to provide quality local services.

**CRCA**  
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