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Monday 15 November 2004

A number of points were raised at the Analogue Radio seminar on October 28th to which I was not able to fully respond. I would now like to outline my responses in detail and thought you might find the following useful. My colleagues have also had the opportunity to have a discussion with Jane Hill of Lincs FM in order to evaluate her complaint against us.

Grimsby

A suggestion that BBC Radio Humberside staffed up an operation in Grimsby to damage the launch of the commercial station Compass FM.

BBC Radio Humberside's staffed operation in Grimsby dates back more than 20 years and in its current size of three to five people, for more than eight years. The adjustment in 2001 was to offer split daytime bulletins on the medium wave frequency. This was part of a declared strategy from 2000 onwards to make BBC Local Radio news output as local as possible where transmission patterns allow. This has also seen enhanced services in Berkshire, Wiltshire, North Yorkshire, Peterborough and Milton Keynes.

We're pleased to see that Compass FM has thrived alongside BBC Radio Humberside, being named NTL Commercial Radio Station of the Year in its category last year.

Buxton

The suggestion that BBC Radio Derby opened a new transmitter during the launch of the commercial station High Peak Radio.

BBC plans for a local radio transmitter for Buxton predate the announcement of a commercial licence there by nearly 14 years. After listener complaints, the BBC first declared its intention to improve transmission in February 1989. Funding finally became available in 2000, two years before the commercial licence was advertised. The BBC signal came on stream in 2001. The promotional spend to make licence payers aware of this amounted to £7,000. This activity does not appear to have distorted the market because in 2003, on awarding the commercial licence for the area, the Radio Authority declared that their advertisement of a Buxton licence had attracted "an impressive number of applications".

Guernsey

The suggestion that the proprietor of a local garden centre who was a regular guest on BBC Radio Guernsey's gardening output declined to advertise on the commercial station Island FM.

BBC Radio Guernsey has had no regular gardening programming for two years. Before that the station used a variety of pundits including some from the island government's horticultural service. At one stage a garden centre proprietor was used as a monthly guest. No mention was made of the garden centre in these broadcasts, although the centre is named after its proprietor. During the run of the programme, the station received no complaints of undue prominence from other garden centre operators in Guernsey.

Staff movement

At the seminar, Jane Hill referred to the movement of staff between BBC Local and local commercial stations.

As we understand it, Jane's concern is not about movement of staff between the two sectors, which she accepts as a fact of life in the industry. Rather, her concern is based on a belief that in some instances BBC managers have induced staff from her group to break the notice periods in their contracts. Jane is not prepared to give us specific examples - citing issues of confidentiality. For our own part, we can find no evidence of our own to support this allegation. However, this is clearly behaviour that the BBC would not condone and in order to clarify this position I will write to all our Managing Editors confirming to them that, even aside from any legal considerations, it is not BBC policy to make any inducements to break contracts.

BBC London

The increase in audience to BBC London 94.9 has provoked some suggestions, alluded to at the seminar, that the station has changed its purpose, become inappropriately "hard nosed" and enjoys cross promotional benefits which are unfair.

Over the last two years, BBC London has undoubtedly become better produced. But these developments have been refinements of an existing speech format. This work has been reflected in an increase in audience to what we consider a minimum acceptable level for a publicly funded service in London – a reach of 5% and a share of 2% which rank BBC London eighth out of the 12 analogue stations available only in London and fifteenth in the London market overall.

We have not heard any explicit charge that a market share of this size distorts the radio market in London and given this ranking in audience size, we would find any such suggestion hard to countenance.

The fact that our radio and television services cover coterminous areas in the capital clearly gives scope for a degree of cross referencing. Our policy is to base this on specific information benefits to London licence payers – for instance telling television viewers what radio football commentaries are available that evening or offering viewers to tv news and current affairs output the chance to have their say about the issues covered on subsequent radio phone-in programmes.

Format changes

A recurring assumption was that BBC local radio stations are free to change their propositions, target audiences or programming purposes at will.

In fact development is strategically planned and governed by a number of checks and balances.

Although service variations such as the development of tailored bulletins for geographical communities within larger station boundaries have not historically been regarded as changes of a sufficient magnitude to require separate DCMS permission, new proposals are now subject to a variety of internal processes leading to consideration by the Governors, who grant or withhold permission.

Each station is subject to an annual performance review, which considers a range of key indicators, including not only listening figures but distinctiveness. Examples of what might be delivered could include providing a forum for community debate; holding public and private sector organisations to account; celebrating local achievement; acting as a catalyst in local communities; carrying religion and faith programming and providing information during crises and emergencies.

Market Distortion

Some of the points made carried an implication that the reach of BBC local radio places unfair pressure on the operators of local commercial stations.

We would contend that the evidence suggests that BBC local radio stations are not in fact inhibiting the success of their commercial equivalents. Local commercial radio consistently and comprehensively outperforms BBC local radio in audience reach and market share. In many cases, the commercial stations which enjoy the biggest percentage reach and share figures are those in the smallest markets. In Quarter 3 of

this year, RAJAR showed local commercial radio with a reach of 53% of the population – 25.7 million people, compared to a reach for BBC Local Radio and the Nations radio services of 20.3% - 9.93 million people.

These differences are accounted for by the fact that in its high speech content, BBC local radio and Nations radio services inevitably have narrower appeal than commercial services, which play a higher proportion of music. A balance in which our services have an equivalent reach to say, Radio 4, but a lower reach than commercial radio seems to us appropriate. BBC Local Radio of course also appeals to an older demographic group, not attractive to advertisers.

In an environment which measures the reach of share of BBC and commercial stations in a common currency (RAJAR), and in which BBC services are expected to reach significant numbers of licence payers, there is bound to be a degree of competitiveness. We contend that in the way the system operates in local markets delivers public value by ensuring that listener choice drives up programming quality standards in both BBC and commercial services.

Jane Hill has made clear to us that she has no complaint about the size of our reach and share. Moreover comparison of the performance of Lincs FM group stations and their BBC counterparts presents a typical picture of the relative audience size of BBC and commercial local stations.

	<u>Weekly reach</u>	<u>Market share</u>			<u>Weekly reach</u>	<u>Market share</u>
Lincs FM	43%	22.3%		Ridings FM	23%	8.6%
BBC Radio Lincolnshire	28%	15.8%		BBC Radio Leeds	18%	7.1%
Trax FM	29%	14%		Fosseway Radio	16%	8.3%
BBC Radio Sheffield	22%	10%		BBC Cov and Warks	16%	8.8%
				BBC Radio Leicester	22%	10%
Dearne FM	31%	19.4%				
BBC Radio Sheffield	22%	10%				

Source: RAJAR Q3 04

This would support the BBC's contention that the audience that its Local Radio Stations target seeks to service a distinctive need than those smaller specialist commercial groups.

Turning to the way that the BBC operates on a day-to-day basis, the BBC's own Producer Guidelines set out in detail how station managing editors may approach issues such as promotional activity, listener competitions and partnerships. They also deal with issues of reference to commercial interests that may arise when outside broadcasts are staged from various community centres or workplaces.

We believe instances may very occasionally arise when traders will use the existence of such outside broadcasts – however well regulated – as an excuse to decline offers to buy commercial radio advertising. However, we understand commercial radio advertising to work on the basis of planned campaigns, however small the market or the campaign. Even in a sponsorship deal, we understand a specific number of mentions would be guaranteed. So we believe the danger of significant adverse market effect being caused by an isolated mention of a brand name on a BBC local station to be minimal.

I look forward to further developing the discussion at Wednesday's seminar about the BBC's representation of the nations and regions of the UK.

Pat Loughrey