



Commercial Radio Companies Association
response to the DCMS Secretary of State's review of
the BBC's digital services

PREFACE

1. Creative, technical and financial investment by UK Commercial Radio, the BBC and manufacturers into Digital Audio Broadcasting has kept British radio broadcasting and technology in the forefront of Global Digital innovation alongside Digital Television. The UK leads the world in digital radio and television development. Our progress is being watched closely by overseas broadcasters, particularly in Europe where our early enthusiasm was not matched and where the wisdom of our commitment is questioned. Trail blazing carries risks. Former BBC Chairman Sir Christopher Bland was right when he told the Culture Committee earlier this week that the BBC had committed itself "five years too early". Commercial Radio waited for those five years before beginning its own terrestrial DAB digital radio investment but it will be some considerable time before the financial benefits of that investment truly begin to be realised by the commercial sector. But without joint BBC and Commercial Radio commitment, the expected success ahead will not be achieved.
2. This paper is therefore governed by the principles of partnership. Its recommendations are made in that spirit. We make two main points:
 - The need to update BBC digital radio services' promises of performance;
 - The need for the BBC to constrain its digital radio activities if these are likely to endanger unduly a Commercial Radio initiative which can reasonably claim to be in the public interest during its fragile launch phase.

INTRODUCTION

3. The Commercial Radio Companies Association (CRCA) is the trade body for UK Commercial Radio. It represents Commercial Radio to Government, Ofcom, copyright societies and other organisations concerned with radio. It manages the Radio Advertising Clearance Centre which clears national and special category advertisements prior to broadcast. CRCA also jointly owns Radio Joint Audience Research Ltd (RAJAR) with the BBC. CRCA was instrumental in the formation of the new Digital Radio Development Bureau, a company owned by UK digital radio multiplex owners, including the BBC.
4. CRCA members include most of the UK's 272 Commercial Radio stations, 118 of which are already available on DAB Digital Radio. They account for almost half of all radio listening in the UK and around three quarters of

local listening in the UK. CRCA promotes UK Commercial Radio and also plays an active role in promoting conditions that will enable it to thrive into the future.

5. This response to the DCMS letter dated 11th May 2004 concentrates on the five new BBC digital radio services.

BACKGROUND: Industry

6. By the middle of 2003, commercial digital radio services covered 85% of the UK. The BBC expects to match this by mid 2004. There are a total of 333 commercial digital radio stations on air, 197 of which cannot be received with an analogue radio (i.e. are only available on DAB and through digital TV). These 333 services are made up of 119 distinct Commercial Radio brands of which 28 are unique to digital.
7. Despite this deep investment, not all CRCA member stations are currently able to broadcast their existing services or any new services via either terrestrial DAB digital radio multiplexes or via terrestrial digital television. Cost is a limiting factor for some of the smaller Commercial Radio companies. Two important additional factors are lack of local DAB digital radio spectrum and lack of sufficient space in the 10% of the Freeview digital television multiplex for non-television data services.
8. CRCA members, however, have invested significantly in both digital radio infrastructure and content, and CRCA has actively supported their endeavours. CRCA was instrumental in the creation of the Digital Radio Development Bureau and has been delighted to see the BBC join the DRDB and become active at the most senior level in the Bureau's work. DAB digital radio has made significant strides in the UK thanks to BBC and Commercial Radio working together in the promotion and marketing of the choice, quality, mobility and sheer convenience that only DAB digital radio can currently provide.
9. The rich content of the BBC's new, national DAB digital radio services has played a vital role in helping DAB digital radio establish itself so well in the UK.
10. Although Commercial Radio and the BBC naturally compete, CRCA wishes the DRDB to maintain and refresh joint activity with the BBC to help listeners understand and enjoy the benefits of DAB. CRCA believes that there is room for further improvement in the marketing of DAB digital radio to listeners but we believe that proposal, argument and resolution in matters like these are best achieved in sensible discussion.

BACKGROUND: Government

11. The UK Government can take much of the credit for enabling the remarkable progress that UK DAB digital radio has made. The BBC pressed the case for digital radio in advance of the 1996 Charter Review, and cautious but well reasoned propositions from the Radio Authority and

Commercial Radio helped the Government of the day incorporate sensible multiplex and service licensing arrangements in the 1996 Broadcasting Act. It took both Commercial and BBC Radio a number of years to understand the listener and potential business benefits of the technology, but we would not be where we are now without the wise decisions made in Parliament ten years ago.

12. CRCA and the BBC are united in their wish to see DAB digital radio uptake improve significantly throughout the world and particularly in Europe where the technology was invented. Unless this happens, the production of DAB digital radio receivers will not expand as quickly as we would like, and cost reductions for listeners will be delayed. It is in bringing its influence to bear overseas that the UK Government can currently most help UK DAB digital radio.

THE BBC'S DIGITAL RADIO SERVICES: Promises

13. When the Secretary of State first granted permission for the launch of the new digital radio services, Commercial Radio was concerned that the promises to which BBC digital stations must adhere were too broadly drawn and so did little to secure the distinctiveness of the services.
14. Since then Commercial Radio has been pleased to note that BBC digital radio services have exceeded the requirements of the promises and many of the concerns felt by the commercially-funded Asian, urban and popular music services when the services were first publicised, have been allayed by the services actually broadcast.
15. CRCA recommends that those promises should now be updated in the light of experience to ensure that the BBC DAB digital radio services stay genuinely different from Commercial Radio, so providing true diversity and choice for listeners. In their current form, the promises are open to interpretation in a less distinctive and more commercially competitive way, and we do not believe this would be good for listeners or future investment by Commercial Radio.
16. We are not proposing that the BBC should be asked to provide different services, rather that the promises be tightened to reflect the services' currently distinctive output, securing their output for the future. Some examples are given below:
 - a) 1Xtra is required to "[maintain] around 20% speech content, including around 10% covering news, documentaries and social action programming. We applaud 1Xtras investment in hourly bulletins and the two-hour nightly show, *TX Unlimited*. We believe this level of investment should be secured in the network's promise and suggest that the 10% and 20% thresholds should be minimum requirements.
 - b) The BBC Asian Network is required to broadcast "a wide choice of music". The BBC's own assessment of the network's performance highlights the significant support being given to the British Asian music industry. We suggest that the network's promise should be refined to

include a specific remit in broadcasting and supporting British Asian music.

- c) 6Music has developed the requirement to provide “strong speech output through news, features, documentaries” and to include a strong element of music news within its news bulletins. This is a key factor in the distinctiveness of its news output and should be secured. The station has also set itself a target of focusing on UK Music. We believe this should be incorporated into its promise.

17. We note that the BBC has made additional commitments to the Secretary of State, expanding on the original conditions set out for the services, and capturing their enhanced distinctiveness. However, the extent to which these commitments are binding is uncertain. This confirms our belief that the promises should be updated.

THE BBC’S DIGITAL RADIO SERVICES: Extending Choice

18. CRCA, in common with the BBC, realises that listeners enjoy the rich choice, diversity and enhanced technical benefits that DAB bring. Listeners will not be attracted to purchase DAB receivers by merely more of the same. In addition, in spite of occasional argument, both Commercial and BBC Radio understand that competition between us is good for listeners. It improves both variety and quality.

19. Many in Commercial Radio looked forward to the advent of DAB digital radio because it would give them the opportunity to compete with BBC Radio in important areas where up to now the BBC has virtually enjoyed a monopoly. For example, Commercial Radio does not have a national pop music station on FM, whereas the BBC has two. Digital radio offers Commercial Radio the opportunity to compete and broaden listener choice in such areas.

20. Some types of radio have always been regarded as too expensive for Commercial Radio to contemplate. Classical music broadcasting was one such area until Classic FM launched. The station successfully convinced listeners and advertisers of its benefits and the cultural life of the nation has benefited from having both Radio 3 and Classic FM. This experience prompts us to raise one particular area of concern where we feel the BBC’s competitive instincts may have acted against the public interest.

21. Oneword Radio is a digital commercial national speech service. It provides plays, stories and comedy in a different style to that in which BBC Radio had previously done. Oneword seeks to do for the accessibility of spoken word what Classic FM has done for the accessibility and popularity of classical music on radio.

22. When it launched in early 2000, Oneword’s most energetic shareholders were UBC (a well known independent radio production company providing programmes to both BBC and Commercial Radio) and Chivers Press (an audio book company). At launch each held approximately one third of the company’s equity, the remaining stock being held by the Guardian Media Group and Heavy Entertainment, both of whom subsequently sold their

interests to the remaining shareholders, leaving Chivers' successor and UBC as 50% shareholders.

23. In July 2001 BBC Worldwide acquired Chivers Press. This significantly enhanced Worldwide's position in the UK audio book market and gained for the BBC the rights to the audio versions of the Harry Potter books amongst many others. However, broadcasting legislation meant that Worldwide was unable to take Chivers' interest in Oneword which then passed to Chivers' original owners, the Hong Kong based conglomerate USI Holdings. This initiative not only removed one of Oneword's most active directors, Chivers' MD Simon Gibbs, it also replaced an enthusiastic shareholder with one that was decidedly uncertain about radio investments in general and digital radio investments in particular.
24. That same year the BBC announced its intention to launch 'Network Z' (which became the national BBC digital service "BBC Radio 7") with a proposed schedule that sounded very similar to that being operated by Oneword. In the event, the only significant difference between BBC 7 and Oneword appears to be that the bulk of BBC 7's output is BBC-produced, whilst most of Oneword's is licensed in.
25. For two years after the departure of Chivers, UBC sought to encourage USI's belief in the future potential of Oneword. Sadly this ultimately proved impossible and in 2003 USI stated their unwillingness to continue the same level of support for a loss making operation. At the end of last year the board reluctantly took the decision to reduce drastically the investment in Oneword whilst a restructuring of the business was investigated. UBC's intention was to seek to acquire control of Oneword and then to restructure the financing of the service and to investigate possible adjustments to the nature of the service.
26. The current weakness of Oneword's financial position as compared with its business plan is, in part, due to a slower take up of DAB radio sets than had initially been anticipated. It is clear, however, that the two moves by the BBC have significantly aggravated an already challenging situation.
27. Whilst CRCA totally supports the opportunity for listeners to have increased access to the BBC's outstanding audio archive, we do not believe that the creation of a publicly funded competitive service to Oneword was the only way to achieve this. It may, for instance, have been possible to license such material for broadcast by Oneword and or other commercially funded services. At the time of its creation, Oneword sought to serve a previously unserved market. At its inception there was no reason to believe that the BBC intended to launch its own service of all-day spoken word entertainment. This market now splits its listening across two similar programme services thus diluting the number of hours that Oneword could reasonably have been expected to attract.
28. In simple terms, CRCA is concerned that because of the way the BBC is funded and constituted, it is able to move without financial risk, into areas of direct competition with commercial broadcasting ventures. This can cause difficulties even for established or more traditional Commercial Radio ventures. In this case, it was able to combine its commercial

muscle through BBC Worldwide with its protective attitude towards its own archive and launch a publicly funded radio service to the disadvantage of a fresh, new Commercial Radio endeavour designed to enhance the breadth of Commercial Radio's provision.

29. In June 2001 UBC made representations to the DCMS. These were unsuccessful. As already stated in our submission in response to the BBC Charter Review, CRCA feels UBC should have been able to make its case to an independent, external regulator. As far as this submission is concerned, we want to draw attention to Commercial Radio's desire to exercise its terrestrial DAB digital radio opportunity to provide as wide a choice of output as possible. We submit that this can occasionally require constraint from both the DCMS and the BBC.

THE DIGITAL FUTURE

30. The work done jointly and in parallel by the BBC and Commercial Radio has been crucial to the success to date of DAB digital radio. A collaborative approach is vital if future progress is to be made, and Commercial Radio is committed to this path.
31. The BBC is currently in a uniquely privileged position to invest heavily into digital radio programming. Examples are the £1m investment into the Asian Network's new daily drama, Silver Street, the funding of 1Xtra's 20 dedicated journalists and Asian Network's 45, and 6Music's recording of almost 500 new live music sessions. We recognise that this level of risk-free investment in programming is one of the key benefits of having a generously publicly funded broadcaster.
32. Commercial Radio's investment is considerable. With well over 550,000 DAB digital radio receivers in circulation and audiences for digital radio services building slowly but surely, there is still a great deal to do. Commercial Radio companies continue to invest tens of millions of pounds each year into driving coverage, establishing simulcast services and developing new ones.
33. As take up continues and audiences grow, Commercial Radio will be able to invest further in original programming, further enhancing the already significant choice on offer to listeners.

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