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PROPOSED NEW PUBLIC SERVICES FROM THE BBC

Thank you for your letter of 17 January and for the invitation to make representations on the proposals by the BBC to introduce new digital radio services. This matter has been discussed by the full Authority and we offer the following observations:

The Authority welcomes the decision by the BBC to provide new digital radio services on its national multiplex funded by the licence fee. This not only will provide a boost to the profile and potential listener take-up of digital radio, but it also represents a fuller use of the frequency resource allocated to the BBC. We hope that any new services will be introduced promptly, thus adding impetus to the extensive roll-out of new commercial services licensed by the Authority.

We note that the published procedure for DCMS approval of new services indicates that the Secretary of State will take into account, inter alia:

- the nature and coverage of commercial services of a similar nature;
- the likely impact of the proposed service on commercial services already in the market and on potential future services;
- the distinctiveness... of the proposed BBC service from those provided by other broadcasters.

The representatives of the commercial radio industry have expressed a range of concerns to the Authority as to how far these criteria are satisfied by the detail of the BBC's proposals. These concerns are as follows:

Similar Commercial Services

The most direct potential overlap across the UK as a whole is the proposal for BBC Five Live Sport Plus, which will provide direct and additional competition from a publicly funded service to the currently loss-making talkSPORT service licensed by the Radio Authority as an independent national radio channel and funded by advertising and sponsorship. The management of talkSPORT has been vocal about the – as it sees it – uneven competitive position which exists between BBC Radio and the commercial sector in bidding for sport rights.

For local services, the proposed black music service (Network X) seems directly to overlap with those local stations licensed by the Authority to serve the black communities. The operators of the two Choice FM stations in London, and the Galaxy station in Birmingham all have specific remits to provide material for the Afro-Caribbean communities in their coverage areas, and both have communicated to the Authority their alarm at the possibility of direct competition in a limited market. The Radio Authority also already has a series of licensees serving communities of Asian origin, and here again the operators tell us that they are seriously concerned about the impact of additional Asian language services. The Authority's analogue licensees providing material for Asian communities are Sunrise Radio and Spectrum Radio in London, Radio XL in Birmingham, Sabras Radio in Leicester, Sunrise in Bradford and Asian Sound in Greater Manchester.

Impact on Commercial Services

The radio industry's concern focuses on two possible impacts. First and most obvious, although increased competition in radio has lifted the overall levels of radio listening, there is very little elasticity. Thus listeners drawn away from existing commercial services represent audience loss to those services. Advertising revenues are closely linked to audience levels. Given that, in both the national talk service and the local ethnic minority services, the licensees are faced with businesses offering only marginal profitability, such a reduction in audience could seriously jeopardise their ability to continue providing a service. The Radio Authority is aware that many of these services are highly valued, especially by local minority communities, and would deprecate any serious risk to their continued viability.

Second, a number of our licensees have told us of a growing trend for information of commercial nature to be carried on the publicly funded BBC local analogue Asian network which has hitherto been placed as paid for advertising on the commercial stations. The local stations fear that an extension of a music based provision for minority communities might increase that risk, once again jeopardising their fairly precarious commercial viability. An analogous argument is put forward by the operators of talkSPORT, expressing their concern about being priced out of the market for the acquisition of sports rights.

For local digital radio multiplexes, especially given the still uncertain prospects for DAB, operators feel that there are concerns over potential damage caused by overlap, especially with local ethnic minority services. There are a growing number of digital sound programme services aimed directly at the Asian communities and accommodated on local digital radio multiplexes. Government may also wish to address the reserved capacity for local BBC Asian Network channels on regional multiplexes. If these services are to transfer to the national BBC multiplex, presumably the space freed will become available for additional commercial services.

Distinctiveness of the Proposed BBC Service

This issue lies at the heart of the concerns which the radio industry has expressed to the Authority. Operators believe that the proposed black music service of Network X will be substantially music based, and will effectively duplicate the music offered by stations with a remit to broadcast to the Afro-Caribbean community and those offering dance and urban music formats. That represents a significant part of the Independent Local Radio offering, and especially characterises newer regional stations. A similar music-based approach to the BBC Asian network would raise similar concerns. It has also been put to the Authority that the proposals for popular music from the 1970s to the 1990s in Network Y would represent direct competition and overlap with the wide range of adult contemporary music formats provided by mainstream ILR stations.

Conclusions

The Radio Authority is keenly aware of the value of additional digital services being provided by the BBC for the prospects of digital radio as a whole. Nevertheless, the Secretary of State - working to the concerns outlined in the approval procedure - will need to give careful attention to the extent to which what is actually proposed is too similar to the nature of commercial services. This could have a damaging affect on the continuation of those services especially where operators have been so successful in meeting the needs of minority communities and would constitute unfair competition from a publicly funded body. The Secretary of State will also need to consider to the

extent to which the proposed new BBC services are and can be maintained as distinct from what is already provided by other broadcasters. In our judgement, this last point is particularly crucial and we urge Government in its final decision to make sure that proper and independent safeguards are in place to prevent any BBC services so agreed from, in the words of the White Paper, moving "uniformly towards the middle ground of national taste".

John Storer
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