

**Response to DCMS '*Sustainable independent and impartial news; in the Nations, locally and in the regions*' consultation paper**

## **Background**

1. RadioCentre is the industry body for Commercial Radio. Its members consist of the overwhelming majority of UK Commercial Radio stations, who fund the organisation.
2. The role of RadioCentre is to maintain and build a strong and successful Commercial Radio industry - in terms of both listening hours and revenues. As such, RadioCentre operates in a number of areas including working with advertisers and their agencies, representing Commercial Radio companies to Government, Ofcom, copyright societies and other organisations concerned with radio, and working with stations themselves. RadioCentre also provides a forum for industry discussion, is a source of advice to members on all aspects of radio, jointly owns Radio Joint Audience Research Ltd (RAJAR) with the BBC, and includes copy clearance services for the industry through the Radio Advertising Clearance Centre (RACC).

## **Executive Summary**

3. RadioCentre, on behalf of its members, welcomes any attempt to provide regional and local media with greater viability and certainty. We therefore welcome this statutory review, and its focus on securing sustainable independent and impartial news in the Nations, regions and localities.
4. We recognise that the scope of this review is currently limited to television, but assert that it has significant implications for the whole of the local and regional media sector. We believe that, in this multi-platform, converged world, consideration should be given to all forms of media. This is especially true in regards to news, which many consume across a number of different platforms.
5. Therefore, the first half of our response to this consultation paper focuses on Commercial Radio's current and predicted news provision. We provide evidence that it is both highly valued by listeners and contributes to the overall provision of regional and local news. We also emphasise that Commercial Radio remains committed to the provision of news at all levels; national, international, regional and local. This commitment will continue - regardless of regulation, economic conditions and public funding - because the industry recognises that news provision is integral to the radio listening experience.
6. The second half of our response responds to the specific consultation questions. We agree that there may be a case for using public funds to support the provision of plural sources of news for the Nations, regions and localities. However, should public funding become available for commercial broadcasters to provide news and other public service content provision, we believe that Commercial Radio must be considered eligible to apply, given its own public service content provision.
7. We agree the Television Licence Fee would be an appropriate source of funding to support the provision of news. However, we do not believe that the contained contestable element, currently allocated for digital TV switchover, should be used for this purpose. Instead, we believe that this should be used to support digital radio switchover, in line with suggestions contained within the final *Digital Britain* report. We urge DCMS fully to consider this proposal.
8. Fundamentally, we do not believe that public funding alone is the appropriate method to secure plural sources of public service content. Further consideration of the regulatory frameworks within which commercial broadcasters operate is critical. Specifically, to ensure that Commercial Radio's future regional and local news provision continues to be well resourced, the industry requires further deregulatory measures and a successful Digital Radio Upgrade.

9. In parallel, we believe that there is an urgent need to reconsider the role and resources of the BBC, to focus its resources more tightly on delivering the public purposes. We believe that this could provide commercial competitors with as great a benefit, if not greater, than the provision of top-up public funding. We welcome recent developments, which point towards such a strategic review of the BBC occurring, but emphasise the urgency with which this must happen and the need for a wide-ranging, public consultation

## **PART ONE: THE FUTURE PROVISION OF NEWS ON COMMERCIAL RADIO**

### **Commercial Radio's current news provision**

10. Commercial Radio is not, primarily, defined by its news provision, and news is not, for most listeners, the primary reason for tuning in. However, news (national, international, regional and local) undoubtedly forms an integral part of the majority of Commercial Radio stations' on-air and online offering, alongside the provision of other information including traffic, weather, sports and 'what's-on' updates.
11. Recent Ofcom research demonstrates that, out of all local content provided on Commercial Radio<sup>1</sup>, listeners value news most highly<sup>2</sup>. In addition, whilst local radio does not constitute listeners' main source of local news, Ofcom research reveals that listeners believe that no other media can rival radio's capacity to deliver time-sensitive or mobile information. Audience research commissioned by RadioCentre and undertaken by YouGov in 2007 found that 77% of respondents felt that radio was the best medium for providing live information (versus 62% for TV and 52% for the internet)<sup>3</sup>.
12. Commercial Radio news bulletins may be perceived to be short and snappy, but they satisfy the majority of listeners' needs and expectations, and therefore brevity is not an indicator of poor quality or relevance. Research undertaken by RadioCentre in 2008 found that, on average, stations broadcast 22 news bulletins per day which last for an average of three minutes. Cumulatively then, stations each broadcast over an hour of news every day. The proportion of news bulletins containing local news had increased by almost 5% since 2004; 69% of news bulletins were found to contain local news<sup>4</sup>. This content is all produced with extremely limited resources; in many local stations, a maximum of two or three news journalists manage to produce live local news throughout weekday and weekend daytime.
13. As Ofcom recently acknowledged<sup>5</sup>, Commercial Radio is '*facing possibly its greatest ever challenges*'; most crucially, revenue is anticipated to decline by about 15% during 2009. However, these challenging circumstances have not had a substantial impact on Commercial Radio's news provision. A recent survey of RadioCentre members found that, between the hours of 0600 and 1900 weekdays, 65% of stations broadcast local news every hour. 10% more stations broadcast local news during 8-11 of those hours<sup>6</sup>. This means that the vast majority of stations are producing more local news than Ofcom's localness guidelines require them to do; according to these guidelines, stations are currently required to broadcast local news throughout peak-time (weekday breakfast and afternoon drive and weekend last breakfast), equating to approximately 7 hours per weekday.
- 14. Commercial Radio therefore provides an important and valued source of regional and local news, and we urge DCMS to not overlook this.**

<sup>1</sup> Including core functional content (local traffic and travel, local weather and local news) and human, engaged local content (such as local community issues and local entertainment).

<sup>2</sup> Ofcom local media research, April-May 2009; quantitative research conducted by MORI for Ofcom, 2004

<sup>3</sup> These findings come from *The Big Listen*, a wide-ranging study of radio listeners conducted in 2007. Ipsos-Mori carried out a survey of 1001 ex-Rajar respondents, aged 15-44, who filled out a self-completion questionnaire.

<sup>4</sup> RadioCentre, 'Action Stations! The Output and Impact of Commercial Radio', July 2008, p. 38

<sup>5</sup> Ofcom, '*Radio: the implications of Digital Britain for localness regulation*', July 2009, p. 2

<sup>6</sup> RadioCentre, 'Profitability and localness survey of local Commercial Radio', March 2009

## Considering Commercial Radio's future news provision

15. Given its importance to the sector, Commercial Radio can confidently assert that the sector will, in some configuration, continue to provide international, national, regional and local news in the future – with or without regulation or public funding.
16. Fitting with Commercial Radio's vision for the evolution of the sector<sup>7</sup>, we anticipate that:
  - a. **Strong national brands** will continue to offer well-produced national and international news bulletins<sup>8</sup>, which enhance their content and brand. These may not be produced in-house, but will likely be tailored for the station in question;
  - b. **Large local and regional services** will provide listeners with locally-relevant news content produced within their transmission area, in addition to national and international news;
  - c. **Small local and community services** will produce locally-relevant news content, which will be broadcast at times most relevant for their listeners. This content will be produced with limited resources, and may therefore originate from a 'news hub'. In operating news hubs, stations' news gathering efforts remain focused within the local area, but bulletins are compiled and read from a shared central resource<sup>9</sup>.
17. Commercial Radio has long railed against its status as the most regulated medium in the UK broadcasting sector. The industry believes that it should be able to shape its own destiny; it is stations, not regulators, which know best what their listeners want. If a station misinterprets its audience's expectations, listening (and therefore revenue) will rapidly decline.
18. In fitting with this proposed ethos of regulation, Commercial Radio's news provision would not require regulation, beyond perhaps a commitment from stations to provide news in a manner that is most relevant to their listeners. Instead, it would be up to stations' judgement to dictate the scheduling, length and content of news bulletins.
19. Confidence in this assertion can be achieved through consideration of Ofcom's recent localness monitoring of eight local commercial stations<sup>10</sup>, conducted in January 2009. This found that all monitored stations provide travel and weather, despite this not being demanded by the stations' Formats or Ofcom's localness guidance. In addition, whilst all stations are required to provide a certain number of hours of locally-made programming each day and an appropriate amount of local material, "*stations choose to deliver localness in a number of different ways*"<sup>11</sup>. Some see localness as a programme 'driver', whilst others preferred a lighter approach; the adopted approach "*depended very much on the character of the particular service and was calculated to feed that character delivery*"<sup>12</sup>.
20. In addition, a recent survey of RadioCentre members found that 86% of stations would continue to broadcast the same level of news provision that they currently provide (three-quarters of stations already provide more than Ofcom's localness guidelines dictate, including 65% of stations that broadcast 12-13 hours of local news every weekday)<sup>13</sup>.

<sup>7</sup> See RadioCentre submission to the Conservative Party's Review of the Creative Industries

<sup>8</sup> Sky News Radio is the provider of national and international news to the vast majority of UK Commercial Radio

<sup>9</sup> We welcome Ofcom's recognition that the use of news hubs can bring benefits - Ofcom, '*Radio: the implications of Digital Britain for localness regulation*', p. 29

<sup>10</sup> Annex 9, Ofcom, '*Radio: the implications of Digital Britain for localness regulation*'. The eight monitored stations were chosen to represent a cross-section of the Commercial Radio industry.

<sup>11</sup> Annex 9, Ofcom, '*Radio: the implications of Digital Britain for localness regulation*'

<sup>12</sup> Annex 9, Ofcom, '*Radio: the implications of Digital Britain for localness regulation*'

<sup>13</sup> RadioCentre, '*Profitability and localness survey of local Commercial Radio*', March 2009

21. We therefore acknowledge the suggestion, contained within Ofcom's recent consultation '*Radio: the implications of Digital Britain for localness regulation*<sup>14</sup>', that a strengthened news requirement might feature in a reformed regulatory regime for localness on Commercial Radio. FM stations would be able to reduce the number of locally-made programmes that they are expected to produce per day, if they commit to providing local news at least hourly during weekday daytime and weekend peak, in place of a requirement to provide local news at peak times (breakfast and afternoon drive on weekdays and late breakfast on weekends). It would also be re-emphasised that local news stories should be up-to-date and regularly refreshed and the pre-recording of news bulletins (outside of peak-time) should be the exception rather than the rule.
22. We welcome this changing regulatory approach because they replace a focus on how and where programming is made and, instead, secure the news provision that listeners value and stations are keen to provide.
- 23. Commercial Radio is committed to continuing to provide regional and local news, regardless of regulatory intervention.**

#### **Funding Commercial Radio's future news provision**

24. News has, and always will be, an expensive output strand. Findings from Ofcom's 'Market Impact Assessment of the BBC's Local Video Service' revealed that, in 2007, one radio group spent £3.5m on local news content, whilst news accounted for c.15% of another group's overheads spend<sup>15</sup>.
25. Even when harnessing digital technology and new methods of delivery, and when Commercial Radio's business model is on a more stable footing (following economic recovery and hoped-for relaxation of sponsorship and promotions regulation<sup>16</sup>), news will continue to represent a significant investment.
26. Commercial Radio would not rule out accepting some form of public funding for news provision but only if it did not unduly dictate output and/or impose another level of unsustainable regulation on the sector.
27. Most importantly, to guarantee plurality in the provision of national, international, local and regional radio news, Commercial Radio requires the optimal regulatory and legislative environment<sup>17</sup> and a successful Digital Radio Upgrade. Many of these requirements are currently being considered by Ofcom, DCMS and industry players.
28. In addition, Commercial Radio would benefit enormously from the radio stations provided by the BBC focusing more clearly on promoting the BBC's public purposes, rather than a relentless ambition to achieve audience scale. This should allow the industry to increase its share of listening and hours, and hopefully increase advertising revenue.
- 29. To ensure that Commercial Radio's future regional and local news provision is well resourced, the industry requires further deregulatory measures and a successful Digital Radio Upgrade. In parallel, we believe that consideration must be given to the BBC's portfolio of radio services, to correct the substantial imbalance within the UK radio industry.**
- 30. Should public funding become available for commercial broadcasters to provide news and other public service content provision, we believe that**

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<sup>14</sup> <http://www.ofcom.org.uk/consult/condocs/radio/>

<sup>15</sup> Ofcom, 'Market Impact Assessment of the BBC's Local Video Service', November 2008, p. 88

<sup>16</sup> Ofcom are currently conducting a targeted review of the Broadcasting Code, including sections related to sponsorship and commercial references in editorial. RadioCentre, on behalf of its members, recommends radical revision of the guidelines, to provide Commercial Radio with a significant new revenue stream. Our response is available on request.

<sup>17</sup> Including a new method of regulating localness, which focuses upon outputs rather than inputs.

**Commercial Radio must be considered eligible to apply, given its own public service content provision.**

**PART TWO: RESPONSE TO CONSULTATION QUESTIONS**

Question 1: Do you agree that securing plural sources of impartial news for the Nations, locally and in the regions should be a key priority?

Question 2: Do you agree that sustainable, impartial news in the Nations, locally and in the regions is likely to require some top-up public funding?

31. We recognise numerous research findings which demonstrate the importance that consumers and citizens attach to plural sources of impartial news, and therefore agree that guaranteeing the existence of these should be a key priority.
32. We recognise that structural and cyclical advertising trends have made the provision of television news in the Nations, regions and localities increasingly unsustainable and it is therefore unlikely that the market will continue to provide these forms of news unaided. We therefore recognise that some top-up public funding will be required to support continued provision. However, we wish to emphasise the important role that Commercial Radio plays in the provision of regional and local news, and urge this not to be forgotten.
33. We believe that the IFNC pilots will be critical to assessing both the scope for commercial revenue opportunities and the type and quantity of public funding required.
34. However, we also believe that further deregulatory methods, coupled with a fundamental review of the BBC's size and scope, would provide commercial broadcasters with a much firmer financial footing, allowing them to better fund public service content. This is especially the case for Commercial Radio, as discussed above.
35. **We agree that there may be a case for using public funds to support the provision of plural sources of news for the Nations, regions and localities. We urge consideration of the vital role that Commercial Radio plays in the provision of news.**

Question 3: Do you agree that the Television Licence Fee should be used to support impartial news in the Nations, locally and in the regions in addition to BBC services?

36. We recognise that the Television Licence Fee is not automatically the BBC licence fee but is instead designed to support the provision of public service content. It may therefore be an appropriate source of public funding for commercial news provision for the Nations, regions and localities. We note that this suggestion is backed up by recent Ofcom and DCMS consumer research.
37. However, we caution against the suggestion that, should it be decided that the Television Licence Fee should be used to support news provision, the contained contestable element currently allocated to supporting digital TV switchover must automatically be the source. The fact that the estimated costs for funding IFNCs are broadly equivalent to the 3.5% currently ring-fenced to meet the costs of digital TV switchover is merely coincidence. If the licence fee is to be used to support news provision, we believe that greater thought must be given to the method by which this is allocated.
38. The decision to allocate a portion of the licence fee to support digital TV switchover was taken as it was felt that it was right that the BBC should take a leading role in making digital switchover happen<sup>18</sup>. We believe it is therefore appropriate and logical

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<sup>18</sup> DCMS, 'A public service for all: the BBC in the digital age', March 2006.

that, once digital TV switchover is completed in 2012, this source of funding is used to support digital switchover for radio. We strongly urge DCMS to consider this option.

39. In the final *Digital Britain* report, the Government espoused its vision for the delivery of a Digital Radio Upgrade programme by the end of 2015. Achieving this timetable will require building a DAB infrastructure which meets the needs of broadcasters, multiplex operators and listeners. The report recognised that this will require a significant contribution from commercial operators, in addition to the BBC. Specifically, "*depending on how the above calculations balance out the BBC's contribution may require some residual access to the Digital Switchover Help Scheme under-spend*"<sup>19</sup>.
40. **We agree the Television Licence Fee would be an appropriate source of funding to support the provision of news. However, we do not believe that the contained contestable element, currently allocated for digital TV switchover, should be used for this purpose. Instead, we believe that this should be used to support digital radio switchover, in line with suggestions contained within the final *Digital Britain* report.**

Question 4: Do you agree that any funding within a contained contestable element of the television licence fee not required for impartial news should potentially be available to fund other forms of essential public service content, or should such funding be limited to news?

41. We believe that it is important to distinguish between where plurality is desirable and necessary. Whilst we agree that plurality in the provision of regional and local news is essential, we believe that further consideration must be given to whether other types of public service content need to be provided by sources other than the BBC.
42. **If it is decided that commercial sources of public service content require public funding, we believe it is critical that that content has very clear public service values. In addition, we believe that funding should be allocated fairly, and Commercial Radio broadcasters should be eligible to apply for it.**

Question 5: Are there alternative funding mechanisms that you believe would deliver the above objectives more effectively?

43. We recognise Ofcom's research findings, which demonstrate public support for the use of the licence fee to fund sources of public service content, other than the BBC<sup>20</sup>. We also recognise the drawbacks of other funding options, including direct public funding, gifted spectrum and an industry levy.
44. However, as expressed above, we believe that further consideration must be given to the regulatory structures within which commercial broadcasters operate, to ensure that they have the optimal level of regulatory freedom. Certainly, Commercial Radio would benefit from greater relaxation of localness regulation and revision of Section 10 of the Broadcasting Code. These regulatory amendments would result in an industry better placed to continue to invest in local and regional news provision.
45. In addition, we believe that the size and scope of the BBC must be reviewed. We are therefore reassured by developments of recent weeks, specifically Sir Michael Lyons suggestion that, now more than ever, the BBC needs to focus on what makes it different and distinctive from commercial media; "*we want a BBC that is smarter, more efficient and no bigger than it needs to be*". However, we do not believe that the majority of commercial broadcasters (and certainly not Commercial Radio) can wait until either the next licence fee settlement in 2012/13 or the next charter renewal in 2016, and urge the BBC to take decisive action before then.

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<sup>19</sup> Digital Britain – final report, June 2009.

<sup>20</sup> Ofcom, response to DCMS consultation "Sustainable independent and impartial news: in the Nations, locally and in the regions", September 2009.

46. **We do not believe that public funding alone would be an appropriate method for securing plural sources of public service content. We believe that further thought must be given to the size and scope of the BBC and the regulatory structures within which commercial broadcasters operate.**

Question 6: Do you agree with the proposal to set a maximum percentage of Television Licence Fee revenue which could be set aside as a contained contestable element?

47. We agree with DCMS and Ofcom that the BBC should remain the main focus of public intervention to sustain the purposes of public service broadcasting. Should a contained contestable element of the licence fee be used to support public service content on commercial broadcasters, we believe that it would be in the interest of all parties, in particular the BBC, for a maximum percentage to be set and reviewed at appropriate intervals.

Question 7: Do you agree that amending the BBC Agreement could provide the necessary protection to the BBC's future funding and independence?

48. We do not believe that the use of the licence fee to fund content other than the BBC's will necessarily endanger the BBC's independence. We agree that amendments to the BBC Agreement will likely be necessary and appropriate.

Question 8: Do you agree that the use of any contained contestable element within the Television Licence Fee should be restricted to the public purposes set out in the BBC Charter?

49. The Television Licence Fee, in its current form, is designed to support the provision of public service content. We believe that this purpose should continue. However, we recognise that the public purposes, as currently set out in the BBC Charter, may require some amendment and should evolve over time, to reflect the changing broadcast environment.