An Independent Review of the Rules Governing Local Content on Commercial Radio

John Myers

1.   BACKGROUND

The radio industry is experiencing difficult times; in fact, these are the very worst of times. Radio stations have already closed and there is a very real threat that more, perhaps as many as fifty, might follow in the coming years. It is not only the smallest stations which are struggling. The stark reality is that 80% of local radio stations serving populations under 700,000 are either loss-making or are each generating an annual operating profit of less than £100,000, even before consideration of any interest payments.[1] Commercial radio's very existence is under threat. There are many reasons for this:

- the explosion of unlimited, unregulated competition offered by online radio services;
- the challenge of having to work within outdated broadcast regulation and rules;
- poor decision-making within the radio industry; and
- the reduced flow of revenues produced by a difficult economy.

Whatever the reasons, we are where we are, and where we are is not a great place to be.

Radio is not alone in this fight for its very survival. All media are presently experiencing difficult conditions and, for some in radio, a review such as this will inevitably be 'too little too late' for them to carry on regardless. However, the radio medium is not without its strengths and, for many within it, there will be countless opportunities within a digital world.

Radio is important to the very fabric of our society, and local radio particularly so. The radio industry presently requires a helping hand but it cannot escape the inevitable reality of having to exist within a digital world and, as such, appropriate planning needs to be put in place by everyone connected with the industry to create a clear vision for its sustained future. Lord Carter's Interim Digital Britain Report outlined a path to such a future and, as part of it, I was asked to explore, review and make recommendations on the viability of delivering 'localness' in a digital age. My terms of reference were threefold:

- *To what extent are the current requirements for a pre-determined number of hours of local content, and the locality in which content is produced, appropriate and sustainable?*

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[1] RadioCentre. Profitability and localness survey of local Commercial Radio, March 2009

- *What role should radio have in delivering local content in a predominantly digital media landscape?*

- *What is the most effective way to deliver local content, via local radio, in a digital age?*

The radio sector and cross-media issues raised by these three questions are quite complex which is why, although this report is a personal review, I convened a small advisory committee. This committee included representatives from government, Ofcom, RadioCentre, the BBC, community radio and the newspaper industry. This group provided an important forum for discussion around the appropriateness of the measures I am recommending and I am grateful for its support and input during what is clearly a critical time.

This review outlines a number of recommendations which I hope will position the radio industry on the appropriate course to its digital future. Some of my recommendations will undoubtedly require courage to implement, but I believe firmly that now is not the time for 'baby steps' or for weakness of commitment. Instead, the radio industry as a whole must be bold, as I believe this might be one of the last opportunities it will be offered to carve out a long-term, profitable and successful future. The challenges the sector faces are very real, but so too are the opportunities. The prize for all is a radio industry that can remain the envy of the world, and where 'localness' is its DNA.

If we are committed to producing a roadmap for the industry's future, we have to take action today. It will require all participants, whatever their motives and agendas, to work together in harmony for the good of the industry but, most of all, for the good of the listener.

2.   INTRODUCTION

In the weeks since my appointment, I have made considerable efforts to discuss the key issues with every radio group in the country, a significant number of individual stakeholders in the commercial radio sector, and with as many interested parties as possible. I have paid attention to the views of both the largest and the smallest owners, and held a number of open discussions with the broadcasting regulator, the BBC, the relevant trade bodies and MPs.

In all cases, I have been overwhelmed by the passion which the radio medium continues to evoke in people of all ages and of all dispositions, and their considerable attachment to radio programmes which excite, inform, educate and entertain them. For a medium that seems positively ancient compared to newer, cutting-edge technologies, I am pleased to be able to re-confirm that radio is still very much loved and valued. In an age when the individual citizen can sometimes be in danger of feeling isolated and alone, the radio medium, more than any of its traditional competitors, continues to provide company and friendship through its amazing sense of intimacy. We might all have slightly differing tastes, but I have yet to find someone who does not enjoy or appreciate the special relationship that radio has in our lives.

Whilst I have enjoyed immensely my discussions with stakeholders, it quickly became apparent that it would be impossible to create recommendations which satisfied the needs and expectations of all those to whom I have spoken. Instead, I have listened carefully to the range of views offered to me and then, calling upon my own experience of over 25 years at the coalface of radio, come to my own view. As a result, it is unlikely that any one stakeholder will agree with my viewpoint in its entirety. At the least, I hope I have helped to encourage serious and informed debate about the future of the radio industry, and I am confident that my recommendations will take radio forward, benefiting both the sector and the listener.

In all my conversations, there was one opinion upon which almost everyone I met wholeheartedly agreed.

Commercial radio is in crisis.

The nature of that crisis, how we arrived where we are today, the most appropriate actions by which this crisis can be overcome, and who should shoulder the blame – these were all issues for which no single answer was found. But the fact that there was such widespread acknowledgement of the perilous state in which commercial radio finds itself does suggest that one of the key battlefronts has already been won. It is abundantly clear to all that

radio is playing 'catch up' in a digital world. To use a football analogy, the digital team are on the pitch scoring goals while the analogue team are still discussing tactics in the dressing room. The industry has been left behind and, as such, the present imperative to make giant leaps forward cannot be overstated. Everyone connected with the industry (the regulator, government, stakeholders) should be prepared to drive this agenda forward, a change that cannot be made without a certain amount of risk taking. This common cause is helped by a definite mood for change, as I could find nobody who suggested simplistically that 'things' should stay exactly where they are. In effect, such inaction would only guarantee a shortcut to the end of a medium that is deeply loved.

Change is never easy to assimilate. For the radio industry, that change has been greater and more intense during the last decade than in the entire history of the medium. Radio is on a road to somewhere, but where that road will eventually lead remains a mystery. This makes it a very scary time for everyone in the radio industry, from chief executives right down to the part-time local radio presenter who is worried they might be replaced by new computer technology. Despite initial appearances, it is evident that just about all of those working in traditional media are sitting huddled together in the same leaky boat, adrift in a sea of seemingly overwhelming challenges. Unless the radio industry works together, and works constructively with others, it is unlikely to be able to save itself.

To reiterate – "save itself". The future of the radio industry lies within its own powers, though that is not to say it does not need a little help. Whilst there exist many external factors that might seem to make the lives of those toiling within the commercial radio industry a little bit harder than they might like, its future most definitely remains within its hands. As the oldest broadcast medium, it has come through a number of changes in its lifetime, but the ferocity and speed of the challenge it faces today is quite different to anything it has experienced previously. No business, media or otherwise, operates in a completely ideal world. The radio industry should continue to make the most of what it has been given and, where specific changes in regulatory or government policy would assist, it should be perfectly clear about the changes it, as an industry, seeks and for which its stakeholders should speak with one voice. This is no time for whingeing or for competitive tensions to surface; instead, it is time for concerted action, where rivalries are cast aside in order to save the industry for the collective good.

Ninety percent of the population tune in to a radio service of some sort every week and they listen for an average 22 hours per week.[2] For its audience,

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[2] RAJAR, Q4 2008.

radio is a special medium that demands a unique set of regulations and rules that serve to underline its importance to society. An importance which has grown from the principle of a strong commercial radio sector, which alongside the BBC, maintains at a national, regional and local level a plurality of voices, which are essential to our democracy debate. It is this uniqueness that must be retained and why, whatever the future holds, radio must retain its own dedicated platform that can showcase its qualities, especially in a world where every medium is undergoing change and the marketplace they all inhabit is becoming much more competitive.

The challenges that presently torment the radio industry are myriad and complex. I hope that this report will help explain some of them in more detail. However, the most pertinent challenges I will briefly draw to your attention here:

- Commercial sector revenues are in decline and are anticipated to fall below £500m per annum in 2009 for the first time since 1999;
- The aggregate profitability of the commercial radio industry is in a perilous state;
- An increasing number of local commercial radio stations are unprofitable;
- Substantial sector investment in DAB digital radio transmission infrastructure has yet to yield returns;
- Sector consolidation has reduced costs but has generally not improved audiences or revenues;
- Many radio owners, both large and small, face significant interest payments to service their debt;
- Radio is largely a fixed cost industry, limiting the degree of response possible to declining revenues;
- The build-out of DAB infrastructure across the UK is not 'fit for purpose' and requires a complete re-design, alongside changes to 'gatekeeper' and ownership rules;
- Station owners face uncertainties about future extensions of their radio licences, a situation that is inhibiting investment in the medium; and
- Future uncertainty exists around copyright.

As if these present challenges to the radio industry were not sufficiently taxing, there are a further set of challenges just around the corner that could worsen the situation. As noted by Lord Carter in the Interim Report of Digital Britain:

> "We cannot rest on our past or present successes, not least because other countries are increasingly making the development

of a digital, knowledge economy a centrepiece of their own economic development".[3]

Since its inception, radio in the UK has, for the most part, been operating within a 'walled garden' that limited the competition for audiences to a long running 'bun fight' between the BBC and commercial radio, and limited the competition for radio advertising revenues to a struggle between the increasing number of commercial radio stations licensed within the UK by the regulator. However, this level of competition is as nothing compared to the intensity of competitive forces that can be anticipated once the walls surrounding that garden have been removed.

The internet is a force that will effectively destroy this 'walled garden' and make every radio station within the UK a potential competitor to every other radio station available via the internet in every corner of the world. Until recently, the notion of listening to radio via the internet was the preserve of technology's early adopters, but the recent growth in broadband connections (both at home and mobile), combined with the proliferation of 'connected' devices such as smartphones and portable internet radios, has opened up the technology to a huge proportion of the population. The impact of this for radio as a whole must be good, and should result in sustained usage of the medium. However, the impact of this on the UK radio industry is, as yet, unknown.

Even our traditional definition of 'radio' is having to change in these 'connected' times. Increasingly, listeners are consuming audio through 'listen again' facilities and by downloading 'podcasts' in order to seize control of the radio schedule for themselves. Mini-transmitters or FM re-broadcasters enable listeners to stream their own specific selection of digitised music to car radios. Young people, in particular, are turning to online software that can offer each of them a completely personalised selection of music content to fit their tastes and moods. Mobile phones are increasingly offering streaming audio and music services as an attraction to potential customers.

In many ways, the radio industry should be flattered that so many new companies, particularly those operating in the online space, understand completely the value to the consumer of 'radio' and want to utilise that value to further their own business plans. There appears to be absolutely no danger in the future Digital Britain of 'radio' going the same way as the telex or the telegram. The downside for the UK radio industry is that global communications companies and media conglomerates could be increasingly wrenching control of what UK citizens listen to on the 'radio' away from the

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[3] DCMS. Digital Britain: The Interim Report, January 2009, p.1.

BBC and the UK commercial radio sector. In some ways, what we are witnessing now is comparable to Radio Luxembourg's rising popularity in the UK during the 1960s and 1970s, an external broadcaster unlicensed by the UK government. Except that the UK had no domestic commercial radio industry then.

It would be easy to view these technological changes as threats to the existing order, but they should equally be viewed as opportunities. The radio medium may be changing, but change often presents ways to develop new types of content and to offer consumers new and exciting possibilities. The BBC's investment in the iPlayer, and the commercial radio sector's bold experiments with customised online radio services, are helping to keep the UK at the forefront of new radio technologies. If we were to define 'radio' in a much broader context than we do now, it is likely we would find its consumption is increasing in the UK, as more and more are listening to 'radio stations' created themselves from the masses of content now available to us.

To make the most of such technological developments the radio broadcasting sector as a whole must work collaboratively, and with some urgency, to combine audio content and platforms for the good of listeners as a whole.

It is the sheer volume of online audio content available via internet-connected devices which terrifies the UK radio industry. I believe that broadband-delivered radio will explode in the years to come, offering very local, unregulated content, as well as opening a window to the radio stations of the world. This may seem a distant threat to traditional radio, but mobile broadband is already here and growing fast. Whereas, not so long ago, the average UK citizen only had a choice between a limited number of live radio stations broadcasting over-the-air within their geographical area, now the world is literally their oyster. No longer does radio have to be linear (i.e. consumed at the time it is broadcast). No longer are listeners prevented from hearing the local radio station in their next town, their neighbouring county, or from the other side of the world. Almost everything that is 'radio' is being made available and, like watching a crowd of children in a sweetshop, the UK radio industry has no way of knowing what listeners will finally choose. The modern radio station will require a much more coherent strategy to maximise its online listening via internet radio devices in cars, mobile phones and personal players just as much as, if not more than, listening derived from its established broadcast model.

This is not to suggest that the FM analogue platform will necessarily become redundant in radio's future landscape. The simplicity and cheapness of FM transmission technology will continue to make it an ideal system for local

radio, particularly in those parts of the UK where the frequencies are not overcrowded. At the same time, the lo-fidelity AM analogue platform will continue to prove valuable for speech-based radio services, though existing AM radio stations that predominantly play music are likely to migrate to DAB. The radio receiver of the future will probably offer the consumer a combination of analogue and digital platforms (via broadcast and the internet), just as radios since the 1960s have offered combinations of FM, Medium Wave and Long Wave reception.

Thus, the future of radio is, at the same time, likely to be incredibly exciting for the listener, and incredibly daunting for the UK radio station. In a situation where almost any kind of radio content is out there somewhere on the internet, I believe that it will be increasingly essential that each and every radio station has a very clear 'Unique Selling Point' (USP). No longer will the fact that a business has a licence to broadcast a radio station to a particular locality give the owner an automatic advantage over any other content provider. Playing a selection of twelve particular songs in a row will not prove sufficiently unique to mark out one station from any number of stations all over the world also playing those same songs. Music is unlikely to become the defining difference between radio stations that number in the hundreds of thousands globally.

Therefore, it must be the content 'between the records', or instead of the records, that will differentiate one radio station from another in this enormous global village of radio. Whether that content is talk, interviews, phone-ins, drama, opinion, documentaries, news, reviews or educational, it will define the station's USP. A station will have to market itself almost exclusively around its USP, and will have to deliver on that USP consistently and superbly, if it wants to retain an audience. The more exclusively that USP is defined within radio's global village, the more certain that station can be of attracting a loyal audience. If a radio station is the only one in the world super-serving an audience interested in a certain type of content, then its future will be far more secure than a station competing in a crowded arena.

I believe that the radio stations of the future will have to be truly 'global' or truly 'local' to mark themselves in this crowded marketplace. If you operate a country music radio station, you will have to offer not only the best country music selection, but also the best interviews, news and information about the country music industry. Only the handful of most content-rich country music radio stations in the world will continue to attract significant audiences. At the other extreme, if you are the only radio station super-serving the needs of a particular local community, you will continue to attract an audience that

cannot obtain local information, news, weather and what's on information from any other radio station.

I have often been confused by radio operators who sing to the tune of localness, whilst dancing to a different beat. To be successful, more now than ever, the radio industry will require clarity of vision, to know exactly who it is serving and why; and then to embrace its uniqueness. It is also why radio must ensure it has its own dedicated digital platform and can thus determine its own future. The opportunities to develop digital technologies and DAB must be grabbed with both hands. The industry can no longer sustain a multi-platform model. This is not the time for further prolonged debates; instead the need is for action and a real commitment to the future. In terms of both content and platforms, the word 'success' will, in future, be spelt 'unique'.

For these reasons, I firmly believe that the 'localness' of local radio will continue to be the key to its success. If local radio were to 'de-localise' its broadcast content, it would simply fade into a sea of similar radio stations that offer no particular USP to their audiences. It is worthwhile here to restate an earlier point – in Digital Britain, owning a broadcast radio licence for a specific local market will no longer provide any guarantee of listeners or revenues. In the 'connected' world, a radio station will live or die by the investment it is prepared to make in exclusive content that can fulfil its stated USP.

There is an ocean of market research available that demonstrates the demand for local content from the radio medium. If, in the short term, a minority of local commercial radio owners consider that making cuts to the volume of local content they broadcast will help them improve their operating margins in these difficult economic times, they are likely to find that, in the long run, localness will be their one saving grace when they are competing in a much bigger pond of radio content. Already, a number of local radio owners are reversing their earlier policies of making reductions in the volume of local content they broadcast. I am certain that others will follow in their wake.

Ofcom Chief Executive Ed Richards made a distinctive point in his 2007 Annual Ofcom Lecture, addressing those in the commercial radio sector who had lobbied for a reduction in their 'localness' obligations:

> "Some have called for a huge relaxation of regulation in relation to localness, some in the industry even call for a complete removal of all regulation. They believe that localness is either no longer valued or that its value is significantly outweighed by its cost. The problem is that the evidence is to the contrary. What our research tells us is that people continue to want to hear local programming.

> They want to hear that programming and know that the presenter
> they are listening to drives down the road they drive down. And,
> as citizens, when there are nationwide floods or major local
> incidents such as the attempted bombing of Glasgow Airport, we
> want to know that reliable and trustworthy local news and
> information is available on our commercial radio stations – as
> indeed it was in both these circumstances. But we are not
> convinced that the market alone will deliver this, if left to its own
> devices. We recognise very clearly the significant economic
> challenges faced by the radio sector, but our forthcoming
> proposals will not involve eliminating the obligation to deliver local
> programming or its reduction to a negligible level". [4]

I concur with Ed Richards' sentiments, although I have found no evidence of a
desire within commercial radio to dispense completely with localness or its
regulation, as he had suggested. Whilst the media landscape has changed
beyond recognition since commercial radio was introduced to the UK in 1973,
consumer demand for information about the events taking place within their
immediate environment has not diminished in any way. The media
infrastructure has changed, the delivery mechanisms have changed, and the
technologies have changed immeasurably. But I believe that the basic demand
for localness has remained the same, and the research commissioned by
Ofcom supports this viewpoint.

Undoubtedly, while the radio industry agrees that it needs to catch up with
the progress of Digital Britain, so too must the regulatory mechanisms by
which localness is measured. Change is often difficult to manage but, as we
undoubtedly must head towards an 'output' measurement system, this should
be mirrored through appropriate regulation. The regulator must not back
down from this objective and should be encouraged to find a satisfactory path
relevant to the digital age.

In this report, I have been so bold as to suggest a new way in which Ofcom
and the commercial radio sector could work together to co-regulate localness
through the introduction of a Local Impact Test. If both parties willingly accept
the fact that local radio is predominantly about local content, then the only
outstanding issue is to find a way to make that local content totally relevant to
the needs of consumers in any particular local market.

Nevertheless, my recommendations are unlikely to avoid the inevitable
economic failure of a number of local commercial radio stations, particular
those serving relatively small markets. Although I firmly believe a strong

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[4] Ed Richards. Ofcom Annual Lecture: Citizens and Consumers in a Converged World, 16 October 2007.

commercial radio industry in the UK is achievable, there is little doubt that, in the immediate future, the industry is likely to pass through a difficult period of station closures and group re-structuring. Sadly, this is a reality in a market where too many radio stations compete for a limited amount of advertising revenues. I believe that there is a real possibility of at least 50 local stations closing down during the next two years, a phenomenon that will not be prevented by either regulatory or government intervention.

For the commercial radio industry to have a viable future, the stark reality is that, in many local markets, there will only be room for a limited number of profitable, sustainable local commercial radio stations. In some markets, that number might only be 'one'. To suggest otherwise ignores the reality of current over-supply, especially given the significant and unique level of market intervention in UK radio, principally in the shape of the BBC and, more recently, community radio. Increased certainty regarding analogue licence extensions is paramount if investors are to retain confidence in the business potential of the radio medium. The long-term viability of the commercial radio industry must be central to government thinking on this issue, if the local radio industry is to have any hope of survival, regardless of its ambition to migrate to a digital future.

We need to re-align the commercial radio offering, so that there is clear ambition and a path for those stations that wish to migrate to digital, alongside delivering regulatory clarity to those stations with local content obligations. We must no longer waste time debating whether a particular song is appropriate content for a particular station, or be so pedantic as to the precise location of a station's studios. Instead, we should be brave enough to measure the outputs on which we hang our coats, whilst demanding greater flexibility and freedom from outdated regulation, both of which are essential to ensure the industry's future. If we agree that listeners should sit at the heart of local stations' output, then a measurement system of satisfaction and appreciation of the localness offered needs to be determined, whilst recognising that such an ambition must be fuelled by reality and practicality.

All I have written above should not give the impression that local radio is not, in many respects, already a thriving industry. The struggles of many should not detract from the brilliant examples of award winning local stations on our radio dial – profitable, ambitious and central to the lives of their listeners. This review makes recommendations on how best to take the industry forward from a practical perspective, particularly with regard to smaller, local stations. In doing so, I recognise that a third of these stations are likely to be profitable and sustainable, a third could fail, and the final third could prosper within a new framework. My recommendations are intended to save the latter,

creating room for others to build their businesses and provide more appreciative content, whilst providing a route for others to drive to a digital world where the advertising buck is already headed. The first step is to redefine the very nature of localness with a more sensible approach to regulation.

3.   SUMMARY OF MAIN FINDINGS AND RECOMMENDATIONS

Ofcom has conducted three reviews on the 'Future of Radio' within the last three years; published on 16 November 2006, the second on 17 April 2007 and the third on 22 November 2007. The necessity for successive reviews to be commissioned so soon after the previous ones simply underlines the speed at which the radio sector is moving. In fact it could be argued that, by the time each review is published, it is already out of date. In his foreword to the first 2007 'Future of Radio' consultation, Ofcom chief executive Ed Richards said he believed that the proposed new rules "would create the framework for radio to remain a strong and vibrant medium in the 21st Century".[5] He was correct at the time, but he could not have anticipated that the sheer speed of consolidation, digital migration and the impact of the economy would render those comments redundant so quickly.

This review must think further ahead to the point where broadcast regulation and radio station operations can become interlinked through flexible and realistic rules. This is why my deliberate objective has been to make recommendations that are relevant for a future which might seem distant right now, but will be upon us all too quickly. This is not to dismiss the need for regulation of the commercial radio sector. Quite the opposite, as I favour regulation and recommend a toughening of 'localness' rules enacted through, for example, increased commitments to the provision of local news. It has become increasingly apparent that the 'light touch' regime by which the radio industry has been regulated, while thought to be appropriate at the time, has turned out to be a false dawn. Instead, I believe the mission statement for which we should aim is 'The Right Touch, Right Now'.

I note that some of my recommendations will not be easy to implement, as change which is easy to achieve is rarely valued long-term. The ambition and the principle of what has to be implemented will have to be grasped by everyone connected with the radio industry. We should not waste time chewing away at the edges of these recommendations when, instead, we should be asking if they are really bold enough!

The one area where I do not believe we should compromise is 'localness'. It is such a vital part of the uniqueness of radio that, instead of being comfortable with its present regulation by 'input' measurement, we should invest time and effort to find an appropriate mechanism that can determine the value of the content offered by a local radio station to consumers. We cannot fulfil our duty to listeners without embracing such a vision.

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[5] Ofcom. The Future of Radio, 17 April 2007, p.4.

Commercial radio in the UK has already passed through a number of structural changes. The most important of these are:

- The number of local commercial radio licences has been expanded significantly by the policies of successive governments and regulators, to the point where the industry which once comprised of a small number of large profitable stations is now dominated by a large number of small, unprofitable stations

- A significant amount of listening to local commercial radio has migrated to BBC national radio stations in recent years, reducing the revenues of the commercial sector and diminishing its ability to invest in content

- The commercial radio sector has made significant investments in DAB transmission infrastructure during the last decade, from which the financial return to date has been minimal

- Considerable consolidation within the commercial sector has reduced its cost base but has not resulted in either enlarged audiences or revenues

- New production technologies have enabled radio owners to originate content for broadcast on local stations from alternate locations, to 'pre-record' radio shows and to network programmes simultaneously across several stations

- Radio sector revenues contracted substantially in 2008 and are forecast to suffer further significant falls in 2009

- The commercial radio sector in aggregate exhibits only marginal profitability at present and is likely to soon move into unprofitability

- Several local commercial radio stations have closed recently as a result of continuing operating losses, and owners predict more will follow

- Advertising expenditure on national brands is migrating away from traditional media and towards the internet, reducing radio stations' ability to monetise their listening

In view of these developments, a step change is required right now that can alter the course of the radio industry's future. We have to take risks, or the industry faces certain death by a thousand cuts from numerous station closures.

The current regulatory system for 'localness' in radio content is nearly two years old, but it is based on principles of regulation from nearly two decades earlier. Regulating for the future is the job that we have to tackle today, but that future has to be truly visionary. It will necessitate that we relax some areas of radio regulation, and those changes may feel uncomfortable for some who are likely to debate whether it is 'too much, too soon' but, in the end, I am certain these policies will prove the right action to have taken.

My key recommendations include:

R1   A re-definition of all UK radio stations licensed by Ofcom into five Categories, 'A' to 'E', with appropriate regulation and rules for each.

R2   A key move from 'input' to 'output' regulation for Category 'B' stations.

R3   The introduction of a 'Local Impact Test' for local commercial radio stations with a coverage area of less than 700,000 adults, which must provide evidence of local consumers' satisfaction with the content provided by their local radio station (section 4(g) of this report outlines the need for a cost-effective implementation agreed jointly between Ofcom and RadioCentre).

R4   Once a Local Impact Test has been introduced, it would be followed by relaxed rules concerning the location of a local station, and the number of local hours broadcast, for stations with a coverage area of less than 700,000 adults.

R5   An increase to the minimum number of 'local' news bulletins aired each day by all local radio stations, accompanied by clarification of the rules concerning the definition of 'local news'.

R6   A softening of music stipulations within prescribed 'Formats' so that content becomes the primary controlling mechanism.

R7   Large local radio stations (with coverage areas of more than 700,000 adults) to remain sited and embedded within their coverage areas, with the majority of daytime local hours broadcast from within their region. There will be an increase in the minimum number of local news bulletins such stations have to broadcast.

R8   Regional stations and AM services to be upgraded to quasi-national networks, provided they are available to at least 65% of the UK population on the DAB platform and they make a commitment to

broadcast to the whole UK on DAB by 2015, subject to availability and suitable re-planning of the multiplexes.

R9   The regulator to allow the merger of two or more co-owned local licences with coverage areas of less than 700,000 adults that are contiguous or overlap into a single local licence.

R10   Extension of all local and regional commercial radio licences to 2020, and all multiplex licences to 2030, in order to aid long term investment in radio.

R11   Removal of radio specific and cross-media ownership rules so that competition law becomes the legal constraint to consolidation.

R12   The BBC to work with the commercial radio sector (and community radio) to create a national radio training facility for the education, excellence and advancement of all radio personnel.

R13   The BBC to work with the commercial and community radio sector and all other local media to explore the use of a shared 'audio' content facility so that 'actuality' recorded by the BBC can be used by other local operators. For example, audio interviews with experts, politicians and other non-BBC personnel should be available for all to use. The principle should be that a consumer who chooses not to listen to BBC Radio, but is still a Licence Fee payer, will not be excluded from hearing such audio on their local commercial radio station or on other local media platforms.

R14   A change in the current legislation to allow community radio stations to be licensed in areas served by a commercial radio station with a coverage area of 50,000 adults or less. The related restriction which currently prevents community radio stations in areas served by commercial radio stations with coverage areas of between 50,000 and 150,000 adults from selling on-air advertising and sponsorship to be extended to include new community radio stations which overlap local commercial radio stations with coverage areas of 50,000 adults or less.

In addition, whilst outside the direct scope of this review, I urge the government to consider a number of important issues that surround the roll-out of the DAB platform, in order that the radio industry can prosper within a digital framework:

- The BBC spends an estimated £405m per annum on radio programme production, compared to the commercial sector's £74m per annum, and while the BBC has positively embraced the notion of creative partnerships in recent months, it must be encouraged to do more to turn such ideas into realities.[6] As the only radio Public Service Broadcaster in the UK, and the only radio broadcaster with a guaranteed income, the BBC needs to demonstrate far greater creativity in its relationship with the sector, developing radio for the good of all consumers and, indeed, for the long-term health of the medium. If the future wellbeing of radio is reliant on a digital broadcast specific platform for radio, which I strongly believe it is, then a commitment to the build-out of the DAB platform is essential. The BBC must take a wider view, as a global publicly funded brand it can embrace and compete on any number of technologies and platforms, but it should not do so at the expense of a broadcast platform in the UK.   For this reason I believe the BBC must take a lead role in underwriting that investment required to build out the DAB networks. While more generally the BBC and commercial radio should work more closely together, but with the realisation that it will be the BBC that has to dig deeper to fund our pathway to creating Digital Britain.

- Instigate a review of the DAB broadcast network and, where appropriate, provide legislation to re-plan the transmission arrangements so it becomes fit for purpose

- Allow the merger of local digital multiplexes to create larger coverage areas and sustainable business models

- Ban any broadcaster being the 'gatekeeper' of a local, regional or national DAB multiplex, or consider the introduction of an effective pricing policy that ensures the cost of equivalent access to DAB is the same rate as FM or lower by 2015, in order to ensure plurality of services

- Take a more ambitious approach towards digital migration (such as setting a date) as outlined previously, by taking station categories 'C', 'D' and 'E' into a digital-only world as early as possible, provided such migration is mirrored by the BBC, and that the key recommendations of the Digital Radio Working Group report are fulfilled.

 I anticipate that my key recommendations will achieve the following:

A. Safeguard the interests of the listener and facilitate the long-term success of the commercial radio industry.

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[6] [confidential report]

B. Enable the commercial radio sector to substantially reduce its costs and provide more local news and local content that is 'relevant' to the listeners it serves.

C. Regulation of the commercial radio industry will operate within an 'outputs' regime for the first time, and some of the savings achieved by reductions in discrete station locations can be redirected towards increased 'localness'.

D. The introduction of the 'Local Impact Test' will provide a tool that measures the impact of a radio station's content on its local community.

E. The enhancement of commercial radio's ability to compete with the BBC by enabling regional radio stations to become 'quasi-national' networks.

F. The delivery of a realistic vision for digital migration, whilst protecting the interests of The Listener.

G. Partnerships forged with the BBC will improve training and professionalism in local radio. In addition, co-operation over shared audio content will prove particularly useful to local consumers, improving the value derived from all their local radio stations.

H. The removal of Media Ownership Rules will allow local radio, local newspapers and other local media to come together under common ownership to compete more effectively with the BBC, delivering plurality of news and views within each region. At the very least, it will provide a framework for more partnerships to take place for the good of all local media.

The Local Impact Test should be reviewed after two years and, if considered successful, be rolled out to Category 'C' stations with the relevant rules applied.

The prize for all is a more rounded radio industry, with 'localness' protected and valued, and the creation of a sector that is able to prepare, invest and commit to a digital world, alongside the possibility of a joined together, enlarged local media village that will provide clarity, ambition and plurality of views that must, in the end, be the ultimate goal.

4(a). THE DEVELOPMENT OF COMMERCIAL RADIO

The present landscape of commercial radio in the UK is the direct result of distinct periods of development by three successive regulatory agencies implementing a variety of licensing schemes over a period of thirty-six years. The effect of each wave of radio licensing policy has been to build a new stratum of local commercial stations on top of the existing infrastructure, inevitably creating what has become a complex and tangled set of interlocking and overlapping radio services.

In 1973, when the Independent Broadcasting Authority [IBA] first licensed commercial radio, a franchise for the UK's largest cities was awarded in each location to a different company, whose purely local business would benefit from its monopoly over radio advertising revenues in its area. The only exception was the London market, where two companies were awarded franchises. These initial stations served very large populations and, after a difficult birth in challenging economic circumstances, quickly became profitable enterprises delivering substantial local content.

In the early 1980s, the IBA continued to award new franchises intended to extend commercial radio to progressively smaller and smaller markets, each one to a separate local company, as no radio groups were yet in existence. Each area of the UK (except London) continued to support only one local station serving its population, thus reinforcing the policy of constructing a regulated monopoly over local radio advertising in each market.

Figure 1: number of local commercial radio stations and UK geographic coverage[7]
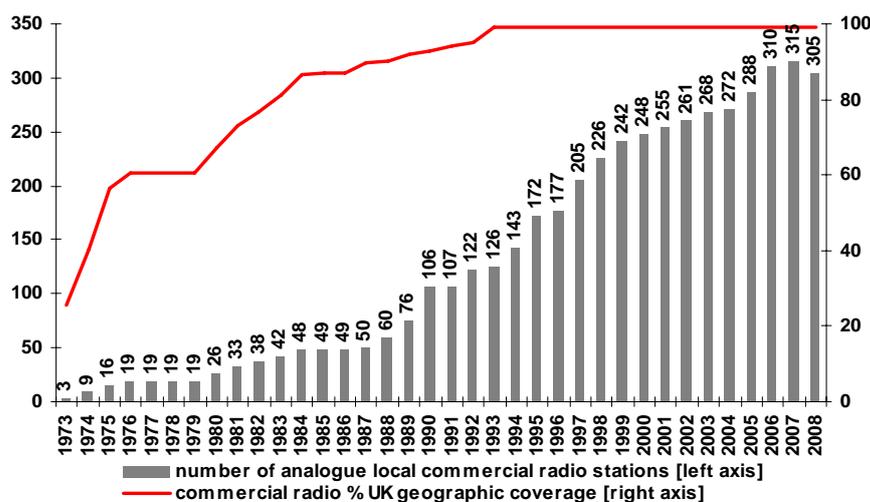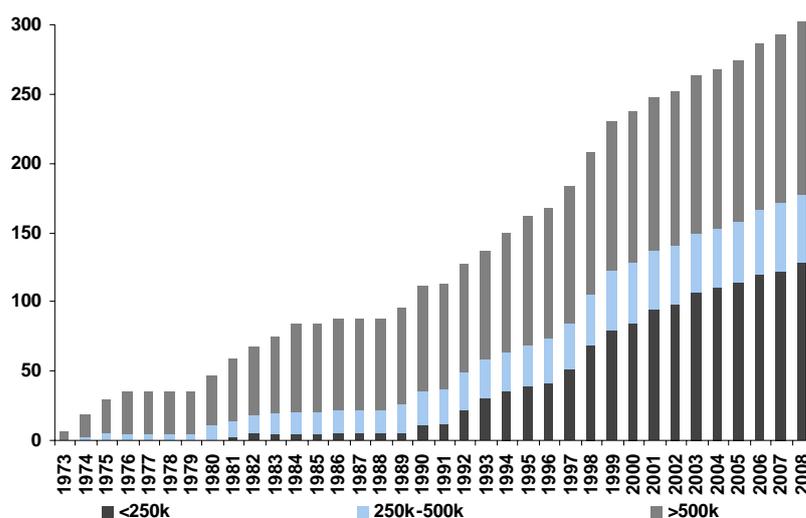

[source: Ofcom]

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[7] Ofcom. The Communications Market 2008, p.244, Figure 4.11.

After a period during the late 1980s when few new franchises were offered, in 1989 the IBA introduced a completely new scheme to licence 20 'incremental' stations. Each new station was to operate within the service area of an existing commercial radio station, creating competition for radio advertising in local markets for the first time. However, each 'incremental' station was restricted to broadcasting content of appeal to a specific 'community of interest' (such as jazz) or to a small geographic area that had likely been neglected by the larger commercial station covering the area. In this way, the output of the incremental stations was intended to complement, rather than compete with, the programmes broadcast by the 'heritage' stations (the name applied by the radio sector to the first wave of local radio stations licensed between 1973 and 1988).

In 1991, when the Radio Authority assumed the regulatory responsibility for commercial radio from the IBA, 94% of the UK was covered by the medium, so the new body continued its predecessor's policy of licensing commercial stations in areas of the country that were still without a competitor to BBC local radio. However, the available areas were becoming progressively smaller and more isolated, so that the stations licensed to serve them became much smaller too. At the start of the Radio Authority, only 4% (4 of 108) of local commercial radio stations existed to serve areas with populations of less than 125,000 adults. By the end of the Radio Authority's life in 2003, 26% (71 of 268) of stations were licensed to serve populations of less than 125,000 adults.[8]

Figure 2: number of local commercial radio stations by population of Measured Coverage Area (15+ adults)

[source: Ofcom]

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[8] Ofcom.

In addition to extending local commercial radio's coverage to new areas, the Radio Authority licensed three national commercial radio services, which launched in 1992, 1993 and 1995 respectively. By then, more than 99% of the UK had access to at least one local commercial station and the three national services. From this point on, the policy for licensing new local stations was motivated by increasing the available choice of content for consumers in both large and small local markets.

The Radio Authority started two new licensing schemes for local commercial stations. The first scheme was a raft of small-scale alternative location local licences (known as 'sallys') designed to serve local areas, many of which were already within the service area of an existing 'heritage' commercial radio station. The second scheme introduced a new stratum of 'regional' stations, each of which covered a considerably larger area than the original 'heritage' stations, often including two or more conurbations.

Between 1994 and 2003, the Radio Authority licensed 16 new regional stations which were intended to broadcast niche formats (such as dance music, speech or a mixture of music and speech) on a scale sufficiently large to make their businesses commercially viable. It was hoped that these stations would attract new audiences to commercial radio, thus growing the sector's profitability. When Ofcom took over the responsibility for licensing commercial radio in 2004, it continued the development policies of the Radio Authority, offering further new small-scale and regional licences to extend consumer choice.

Additionally, Ofcom started licensing a new tier of 'community' radio stations, following an experiment initiated by its predecessor, The Radio Authority, which had resulted in legislation to create a new type of local station that is essentially non-commercial and staffed by volunteers. These stations are not considered 'commercial', though some sell advertising airtime, as their motivation is not to generate profits for their funders.

As a result of these different licensing policies, the commercial radio landscape now comprises a mix of very different sized local stations that have inherited quite different content obligations, each according to its history and its original purpose. The situation is further confused by the fact that many of the 'heritage' stations licensed in the 1970s and 1980s have subsequently been permitted by the regulator to extend their coverage areas beyond their original city to whole counties and sometimes several counties (for example, 2-Ten FM, launched in 1976 initially to serve Reading, now covers an area that extends 60km from the city across Berkshire, North Hampshire and South Oxfordshire). The outcome of more than three decades of piecemeal

development is that it has become increasingly difficult to decipher the different strata of commercial radio stations available within a local market.

By the mid-1990s, almost the entire UK geography was covered by at least one local commercial radio service. Since then, new licences issued by the regulator have only served to increase the choice of content delivered by commercial radio within local markets, but those licences have not grown the size of the addressable market for commercial radio. This regulatory switch from licensing to extend coverage to licensing to extend choice would appear to be just one of the causes of the commercial radio sector's current problems.

Whilst the number of local commercial radio stations increased significantly during the 1990s, the amount of time spent listening to commercial radio did not follow the same trend. In fact, since 2001, listening to commercial radio has declined, with an increasing number of stations eating away at a diminishing cake.

Figure 3: number of local commercial radio stations and the volume of listening to commercial radio (billion hours per annum)
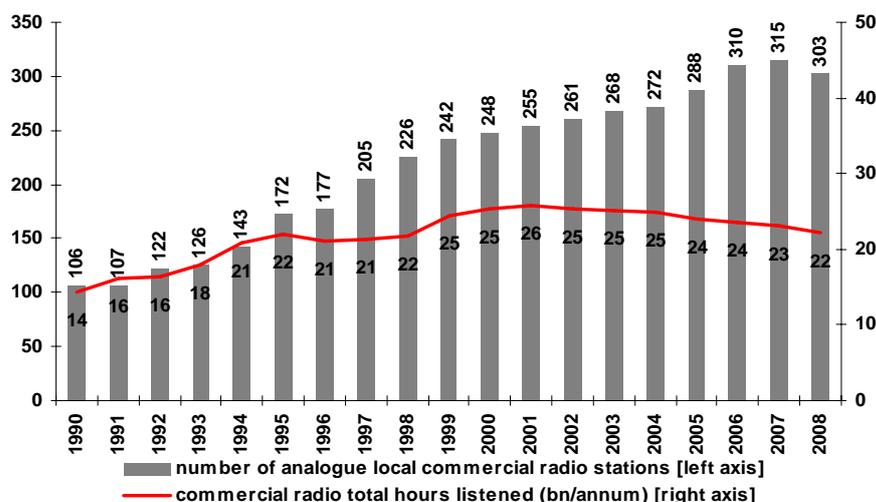
[source: Ofcom, RAJAR, JICRAR]

The revenues of the commercial radio industry grew dramatically during the 1990s, buoyed by a combination of factors: increased listening to commercial radio, the creation of the Radio Advertising Bureau to market the medium to potential advertisers, and the launch of three national commercial radio stations. However, by 2001, sector revenues had started to plateau and, since 2004, have declined in real terms. The end result is the same as the experience with audiences, the revenue cake reducing in size whilst the number of mouths that require feeding is growing.

Figure 4: number of commercial radio stations and total commercial radio sector revenues (£m at 2008 prices)
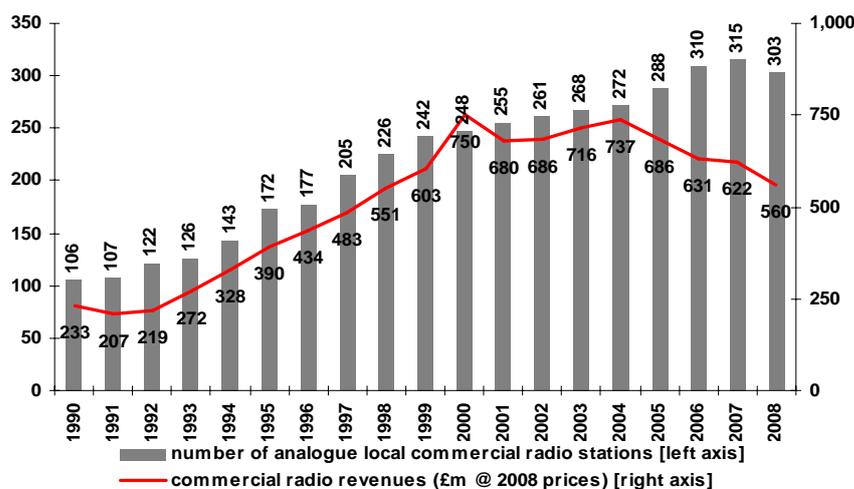
[source: Ofcom, Radio Advertising Bureau]

A radio station's economic model rests (in the main) upon its ability to convert its hours listened into advertising revenues through the sale of its airtime. The 1990s proved to be a prosperous period during which the commercial radio sector managed to considerably improve its 'yield', the rate of conversion from hours to revenues that it achieved. However, by 2001, aggregate listening to commercial radio had peaked; and by 2004, aggregate sector revenues had also peaked in real terms. The result was that the improvement in revenue yield that had been achieved throughout the 1990s stalled, and then started to decline after 2004.

**Figure 5: commercial radio sector yield (£ revenue per 1000 hours listened at 2008 prices)**
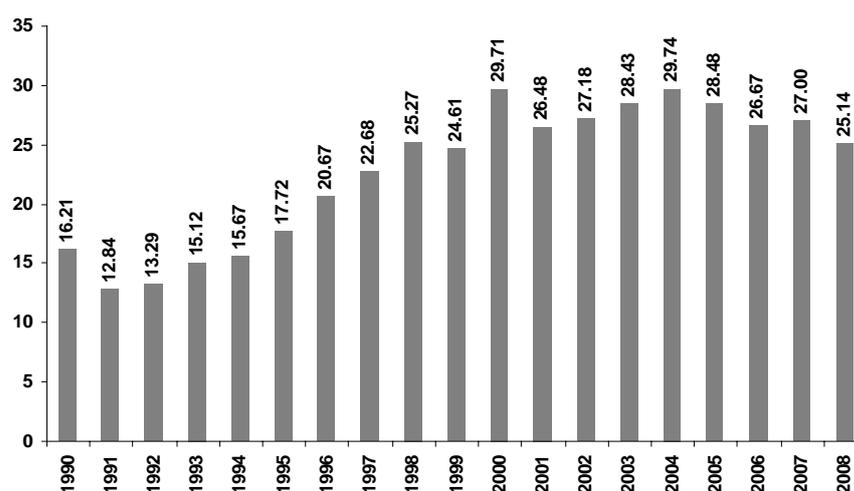
[source: Radio Advertising Bureau, RAJAR, JICRAR]

At the same time, the structure of the commercial radio industry had undergone enormous change since the beginning of the 1990s. In 1990, 68%

of local commercial stations were serving populations of 500,000 or more adults, and only 10% served populations under 250,000 adults. By 2008, only 41% of local stations served populations over 500,000, and as many as 42% of local stations served populations under 250,000. Whereas the vast majority of local commercial stations used to be 'big', the majority now are relatively 'small'.

Figure 6: % of local commercial radio stations by population of Measured Coverage Area (15+ adults)
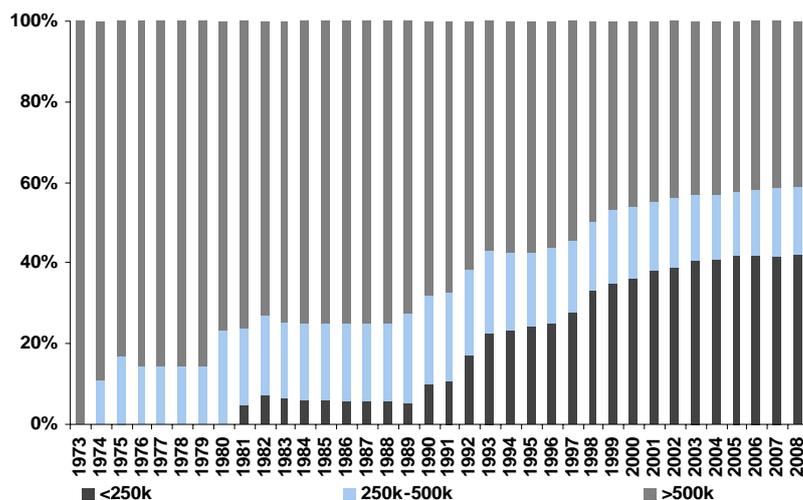
[source: Ofcom]

A look at a typical local radio market illustrates the significant changes that have taken place. Between 1974 and 1988, Greater Manchester was served by a single 'heritage' station which had simulcast its output on both the FM and AM platforms. From 1988, the heritage station was broadcasting separate programmes on FM and AM. In 1989 and 1990, two 'incremental' stations were licensed in the market, one of which subsequently went out of business. After a long period of stability, between 1992 and 1999 the Radio Authority added three national stations, two regional stations and six local stations to the market (one to replace the 'lost' incremental). Subsequently, Ofcom has added two more local stations and nine community stations, some of which have not yet launched.

Figure 7: licensed commercial and community radio stations available in the Greater Manchester market

station	launched	initial licensor	Measured Coverage Area (adults 15+)	market	station type	platform
source: Ofcom]						
Key 103	1974	IBA	2,166,470	Manchester	heritage	FM
Magic 1152	1974	IBA	1,849,446	Manchester	heritage	AM
Imagine FM	1990	IBA	462,925	Stockport	incremental	FM
Classic FM	1992	Radio Authority	50,735,000	UK	national	FM
Absolute Radio	1993	Radio Authority	50,735,000	UK	national	AM
Gold	1994	Radio Authority	2,200,721	Manchester	local	AM
Galaxy 102	1994	Radio Authority	1,628,501	Manchester	local (ex-incremental)	FM
Smooth	1994	Radio Authority	4,260,637	NW England	regional	FM
TalkSport	1995	Radio Authority	50,735,000	UK	national	AM
Century	1998	Radio Authority	4,260,637	NW England	regional	FM
Silk FM	1998	Radio Authority	116,157	Macclesfield	small local	FM
Wire FM	1998	Radio Authority	207,411	Warrington	'sally'	FM
Tower FM	1999	Radio Authority	292,762	Bolton/Bury	small local	FM
The Revolution	1999	Radio Authority	673,539	Oldham	small local	FM
Xfm	2006	Ofcom	1,234,535	Manchester	local	FM
All FM	2006	Ofcom		S Central & E Manchester	community	FM
Wythenshawe FM	2006	Ofcom		Manchester	community	FM
Pure Radio	2006	Ofcom		Stockport	community	FM
Salford City Radio	2007	Ofcom		Salford	community	FM
Tameside Community Radio	2007	Ofcom		Tameside	community	FM
Rock Radio	2008	Ofcom	1,518,948	Manchester	local	FM
Peace FM	tba	Ofcom		Hulme	community	
North Manchester FM	tba	Ofcom		North Manchester	community	
Unity Radio	tba	Ofcom		Central Manchester	community	
Gaydio	tba	Ofcom		Manchester	community	

Almost all of the 25 stations in this market are serving coverage areas of quite different sizes. For example, the coverage area of each regional station is 37 times the size of the coverage area of Silk FM, which in turn is likely to be larger than the coverage areas of some of the new community radio stations. Although there are 25 non-BBC stations currently licensed to broadcast on FM and AM in the Manchester market, many of them are not audible throughout the city.

What appears to be lacking in the Manchester market, and in similar local markets throughout the UK, is 'clarity' in the existing provision of commercial radio. The introduction of greater clarity would enable consumers and potential advertisers to identify much more easily the different types of commercial radio station within their market, and to understand their role in the increasingly complex media mix.

Since 1973, the piecemeal development of local commercial radio by three different regulators has produced a landscape populated by more than 300 radio stations, but the raison d'être for the licensing of many of these services has either been eroded by time, or has been diluted by successive changes to the detail of a station's format or to the size of its coverage area. The time has come to re-define the different strata of local radio and to identify appropriate policies for the regulation of each layer within the overall structure, whilst heading fast towards a digital future.

4(b). **THE ECONOMICS OF COMMERCIAL RADIO**

The gradual transformation of the UK commercial radio landscape from a small number of large local stations into a large number of small local stations has dramatically impacted the sector's ability to generate significant profits and, in turn, has reduced its ability to sustain the delivery of local content. This is because the cost structure of the local radio industry is dominated by 'fixed costs', meaning that there is little significant difference between the costs of operating a radio station broadcasting in a market of 100,000 people and the costs of a station serving a population of 1,000,000.

Ofcom research found that 70% of the costs of an average local commercial radio station could be defined as 'fixed costs'.[9] This percentage varied little between the smallest and the largest stations.

Figure 8: typical breakdown of costs for a radio station[10]

VARIABLE COSTS	30%	
sales commissions		13%
royalties		15%
other direct costs		2%
FIXED COSTS	**70%**	
staff (non-programming)		25%
marketing		5%
transmission		5%
programming		20%
premises		10%
administration		5%

[source: Ofcom estimates]

Analysis of radio station management accounts found that, for smaller stations, a higher proportion of costs were routinely allocated to cost lines such as staff and transmission overheads whereas, for larger stations, costs such as marketing became a more significant component of expenditure.

Figure 9: typical breakdown of costs for a radio station[11]

cost	local	large town	regional
staffing	67%	53%	47%
premises + administration	11%	13%	16%
transmission + engineering	9%	3%	2%
depreciation	6%	3%	2%
marketing	7%	27%	33%

[source: Spectrum Strategy Consultants]

The typical costs of a radio station vary not only by the size of the market served, but also by the type of station licensed. 'Heritage' stations, licensed in the 1973-1988 period, tend to exhibit higher costs as a result of them having historically dominated listening and local advertising within their markets. This

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[9] Ofcom. The Future Of Radio: Discussion Document, 16 November 2006, p.19, Figure 18.
[10] Ofcom. The Future Of Radio: Discussion Document, 16 November 2006, p.19, Figure 18.
[11] Spectrum Strategy Consultants. Economic Study of Commercial Radio Licensing, 9 December 2003, p.26, Exhibit 22.

results from their initial status as licensed monopolies, despite newer competitors having been launched in the majority of local markets since 1989. New entrants tend to have less costly operations, a necessary corollary of the challenge persuading listeners and advertisers to migrate from a long established broadcaster in a local market.

Figure 10: commercial radio operating costs[12]

| station type	small local	medium local	large town	metropolitan	regional	London
mainstream heritage station	0.45	0.98	1.85	4.04		23.40
mainstream newer competitor	0.39	0.57	0.71		3.19	9.88
youth station		0.66	0.97	1.94	2.29	3.17

[source: Spectrum Strategy Consultants]

To succeed, the rigid cost constraints of the radio broadcast industry require station owners to develop realistic business plans, whilst heading towards a digital future, and to meet their performance objectives alongside their localness commitments. This is particularly true of newer entrants, the majority of which are smaller stations faced with the prospect of a market dominated for two or three decades by a 'heritage' station. Because fixed costs dominate small stations' overheads, their cost, revenue and audience projections inevitably show the greatest sensitivity to underachievement.

Although many recent radio licences offered by the regulator have been allocated to relatively small geographical areas, there has never been a shortage of applicants eager to enter the regulator's 'beauty parade' system. Since 2004, Ofcom has offered 39 new local commercial radio licences which have attracted a combined total of 220 applicants. Each applicant was required to include a business plan with revenue and cost forecasts for the first three years of operation (which remain confidential to Ofcom), along with audience projections for the same period (which are publicly available).

An analysis of the audience forecasts of the successful 39 applicants, compared with their stations' actual performances post-launch, gives an indication as to how well local stations succeed in meeting the targets within their business plan. It is interesting to note that, of these 39 successful licence applicants, one returned its licence without launching, two have closed since their launch, and two have yet to launch. Of the remaining 23 new stations that presently participate in the industry's RAJAR audience surveys, only four met or exceeded the audience targets specified in their business plans.

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[12] Spectrum Strategy Consultants. Economic Study of Commercial Radio Licensing, 9 December 2003, p.26, Exhibit 21.

Figure 11: local commercial radio stations licensed since 2004: % variation between hours listened per week achieved and projections in business plan, versus population of the station's Measured Coverage Area (15+ population) [MCA]
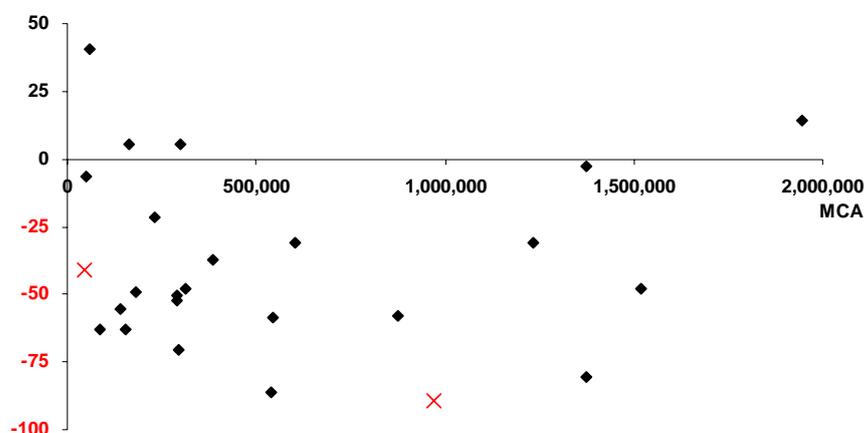

[source: licence applications submitted to Ofcom, RAJAR Q4 2008]
NB: the crosses represent final data from stations that have closed. Stations in Year One were compared with their Year One targets, stations in Year Two compared with Year Two targets, and stations in their Third Year or later compared with their Year Three targets.

Not only have the majority of new stations failed to meet their targets for the volume of listening forecasted in their licence applications, but almost half fell short of their projections by more than 50%, a sufficient divergence to derail even the most robust business plans. Neither did the stations serving larger audiences perform any better than those serving smaller populations. The conclusion must be that the vast majority of newly licensed local radio stations fail to meet the targets in their business plans.

This assertion was confirmed by an Ofcom study of local commercial stations that had launched between 1996 and 2002, which found that 53% of stations had still not broken even by 2007, and that only 14% had broken even within their first three years on-air.

Figure 12: financial performance of 93 local commercial radio stations launched 1996-2002[13]
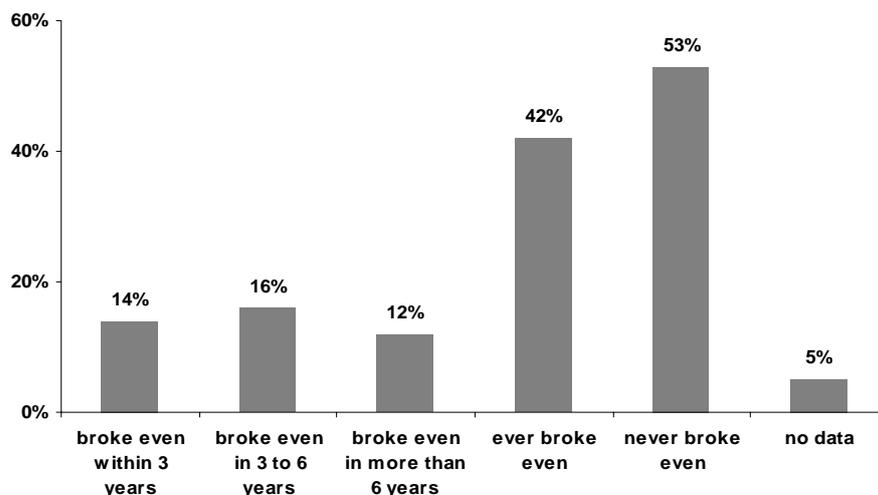
[source: Ofcom]

This phenomenon is by no means a recent development. An earlier analysis of the performances of 80 local commercial stations that launched between 1997 and 2001 found that:

- Only 40% of stations came within 25% of their predicted Year One revenues, this success rate falling to 25% by Year Three
- More than half the stations' costs exceeded their Year One forecast by more than 25%
- Two-thirds of stations performed worse than their forecasts
- Large stations were no more successful at meeting their forecasts than small stations.[14]

Stations' inability to meet their forecasts has had a severe impact on the profitability of the whole commercial radio sector. In 2006, Ofcom found that 50% of local stations either lost money or made a profit of less than £100,000 per annum, and that about 40% of stations made a loss.[15] Sector revenues have fallen significantly since then, rendering the profitability of the sector considerably more perilous.

Within the commercial radio landscape, there exists a growing imbalance between the revenue generating ability of a small number of large stations (the 'heritage' stations and the more recently launched 'regional' stations) and the larger number of stations serving smaller populations. Ofcom found that

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[13] Ofcom. The Future Of Radio: Consultation, 17 April 2007, p.37, Figure 15.
[14] The Radio Authority. Review of Licensees' Performance 2003.
[15] Ofcom. The Future of Radio: Discussion Document, 16 November 2006, p.17, para.3.24.

63% of commercial revenues were generated by only 13% of stations, while 63% of stations generated only 11% of sector revenues.[16]

Figure 13: commercial radio revenues[17]

revenue (£ per quarter)	% of total commercial stations	% of industry revenues
<250k	63	11
250k-500k	13	10
500k-1m	11	16
>1m	13	63

[source: Ofcom, Q3 2005]

An economic study of commercial radio (commissioned by Ofcom) concluded that:

- Heritage stations are inherently more profitable than other mainstream stations because they have the established brand and audience base which they leverage to attract revenues
- The worst situation for a new station is to compete in the same market as a heritage station, as it will face aggressive competition from the incumbent, including price wars on advertising rates and counter-marketing campaigns
- New stations competing against heritage stations typically make a loss, even where their performance is strong
- New stations face a vicious circle of low audience, low advertising revenues and a lack of funds for marketing, making their long-term profitability questionable.[18]

Although these conclusions were written five years ago, they remain as valid today as ever. The outcome for the commercial radio sector, and one which offers a fundamental reality check, is that there is only room in many local markets for a single successful commercial radio business. When more commercial stations are overlaid on top, it simply reduces the advertising cake for all, with the result that there are a very large number of stations which are barely profitable or loss-making, and which are doomed to fail.

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[16] Ofcom. The Communications Market: Interim Report, February 2006, p.42.
[17] Ofcom. The Communications Market: Interim Report, February 2006, p.42.
[18] Spectrum Strategy Consultants. Economic Study of Commercial Radio Licensing, 9 December 2003, pp.31-2.

Figure 14: local commercial radio station profits by population of coverage area (£m per annum)[19]
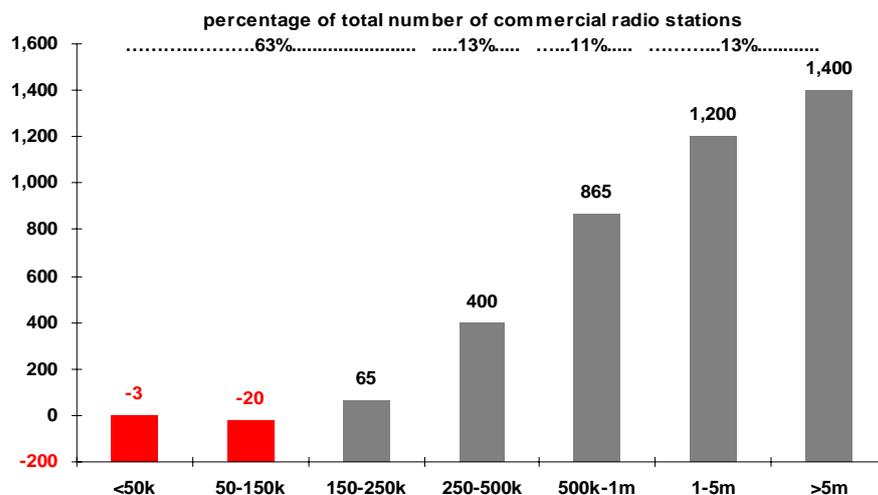
[source: Ofcom]

This view was mirrored by Ofcom when it acknowledged that, with such a high proportion of the commercial radio sector already teetering on the brink of profitability, there is "little scope for rationalisation" in an industry facing "a high degree of exposure to changes in revenues".[20]

With sector revenues having declined in real terms since 2004, the most obvious symptom of the industry's waning profitability has been the increasing number of local commercial stations closed by their owners. During the last three years, there have been six such closures. By contrast, during the entire period between 1973 and 2006, there had been only a handful of station closures (notably Centre Radio, Leicester in 1983; Gwent Broadcasting in 1985; and Buzz FM, Birmingham in 1993).

Figure 15: recent local commercial radio station closures

station	market	owner	closure date
Star FM	Stroud	UKRD	29 September 2006
River FM	Livingston	Kingdom Radio Group	29 January 2007
Fen Radio	Wisbech	UKRD	31 July 2008
Gold	Exeter/Torbay	Global Radio	31 August 2008
Talk 107	Edinburgh	UTV	23 December 2009
Abbey FM	Barrow	CN/TLRC/Radio Business	30 January 2009

[source: various]

Another symptom of the profitability issues facing the local radio sector is the number of small local stations that have been divested by group owners in recent months. Many of these operations have been sold, as a result of their lack of profitability, by small radio groups such as The Local Radio Company, UKRD and Tindle Radio.

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[19] Ofcom. The Future Of Radio: Consultation, 17 April 2007, p.38, Figure 17.
[20] Ofcom. The Future Of Radio: Consultation, 17 April 2007, p.39, Para.3.42.

Figure 16: recent individual local commercial radio station transactions

station	market	vendor	date
Fresh Radio	Skipton	[local shareholders]	March 2007
The Saint	Southampton	Southampton Football Club	August 2007
Oak FM	Loughborough	CN Radio Ltd	October 2007
Xfm	South Wales	GCap Media plc	May 2008
Wave 102	Dundee	UTV plc	May 2008
Pennine FM	Bradford	The Local Radio Company plc	June 2008
Vale FM	Shaftesbury	The Local Radio Company plc	June 2008
Ivel FM	Yeovil	The Local Radio Company plc	June 2008
Brunel FM	Swindon	The Local Radio Company plc	June 2008
Bath FM	Bath	The Local Radio Company plc	June 2008
3TR	Warminster	The Local Radio Company plc	June 2008
Dune FM	Southport	The Local Radio Company plc	June 2008
Original 106.5	Bristol	CanWest Mediaworks	July 2008
Original 106	Aberdeen	CanWest Mediaworks	July 2008
L107	Hamilton	Perth FM	August 2008
Central FM	Falkirk	The Local Radio Company plc	August 2008
Original 106	Solent	CanWest Mediaworks	August 2008
The Revolution	Rochdale	UKRD	September 2008
Dream 107.7	Chelmsford	Tindle Radio Ltd	September 2008
Star Radio	Cheltenham	UKRD	September 2008
Dream 107.2	Winchester	Tindle Radio Ltd	November 2008
Imagine FM	Stockport	UTV plc	January 2009
Star Radio	Bristol	UKRD	February 2009

[source: various]

Additionally, one privately held small commercial radio group, Laser Broadcasting, was placed into administration in October 2008 by a petition from its venture capital shareholder. The group's nine licences were subsequently sold by the administrator to parties who had previously been involved in operating those stations. This reflects an increasingly common pattern in which small local stations are being acquired by local entrepreneurs who are prepared to cross-subsidise a radio venture from their other businesses.

The present challenges facing owners of small local commercial radio stations were highlighted in the latest Annual Report of The Local Radio Company, one of only two remaining public companies owning UK radio licences. Chairman Anthony Gumbiner noted that "[group] revenues are down year on year and, within a fixed cost business such as broadcasting, this has a direct impact on the Group's Profitability and cash position".[21] A new share issue was hoped to raise £1.51m (gross) but the company's auditor reported that "until it is successfully completed, there remains in existence a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern".[22]

A subsequent cash offer by UKRD Group for The Local Radio Company has valued at £1.44m the company's business comprising 20 radio licences, a vivid

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[21] The Local Radio Company. Annual Report 2008, Chairman's Statement, 5 March 2009.
[22] The Local Radio Company. Annual Report 2008, Auditors Report, 5 March 2009.

demonstration of the depths to which local station acquisition prices have plummeted in recent months.[23]

The other publicly held owner of commercial radio, UTV, noted in its most recent Preliminary Accounts that the three local radio stations it had closed or sold in 2008/9 had contributed combined pre-tax losses of £2m in 2007.[24] UTV anticipated that UK radio sector advertising in Q1 2009 would decline by 23% year-on-year, with national advertising down by 28%.[25] UTV Radio managing director Scott Taunton explained: "The problem is there isn't enough visibility. We know what is going to happen in the first quarter ... but we don't have enough comfort to call April, let alone Q3 and Q4 this year".[26]

It is inevitable that, as a result of declining audiences and further falls in revenues, the profitability of the UK commercial radio industry must similarly decline. A study by GCap Media in late 2007 of the filed accounts of 214 UK radio licensees (launched before December 2003, to eliminate start-ups) found that only 51% of local stations were profitable. The results showed that, whilst a station serving a larger coverage area was more likely to be profitable, almost half of all licensees serving populations between 250,000 and 500,000 were loss-making.[27]

Figure 17: profitability of commercial radio companies[28]

Measured Coverage Area (15+ population)	Cumulative percentage of profitable companies	Percentage of profitable companies in band
0-250k	31%	31%
250k-500k	38%	56%
500k-750k	41%	63%
750k-1m	44%	100%
>1m	51%	76%

[source: GCap Media]

A more recent independent report commissioned by RadioCentre, the commercial radio trade body, found that "current estimates suggest the industry as a whole is now loss-making".[29] It noted that "the larger groups are marginally profitable before interest payments are taken into account (these payments are very substantial in some instances); all of the smaller groups are either marginally profitable or loss-making".[30]

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[23] UKRD Group Limited. Offer By UK RD Group Limited, 27 March 2009.

[24] UTV plc. Preliminary Results for year ended 31 December 2008, Chairman's Statement, 12 March 2009.

[25] UTV plc. Preliminary Results for year ended 31 December 2008, Chairman's Statement, 12 March 2009.

[26] Harpreet Bhal, [untitled Reuters report], The Guardian, 12 March 2009.

[27] GCap Media plc. The Future of Radio: The Next Phase – Response From GCap Media, [undated], p.3.

[28] GCap Media plc. The Future of Radio: The Next Phase – Response From GCap Media, [undated], p.3.

[29] Ingenious Consulting. Commercial Radio: The Drive to Digital, January 2009, p.2.

[30] Ingenious Consulting. Commercial Radio: The Drive to Digital, January 2009, p.4.

A further survey conducted specifically for this report by RadioCentre in March 2009, and which gathered data from 80% of commercial radio stations, found that:

- 80% of local commercial stations serving populations of less than 700,000 adults are presently loss-making or generate annual profits of less than £100,000
- 66% of all local commercial stations are loss-making or generate profits of less than £100,000 per annum
- 50% of all local commercial radio stations are presently loss-making.[31]

Figure 18: profitability of local commercial radio stations[32]

	Loss-making stations	Loss-making stations, or making profit <£50,000	Loss-making stations, or making profit <£100,000
Predicted for current financial year	50%	62%	66%
Result last financial year	50%	61%	67%
Result previous financial year	55%	60%	66%

[source: RadioCentre]

This data suggests that up to 50 local commercial radio stations (or 17% of the total) are likely to close during the next 18 months.[33]

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[31] RadioCentre. Profitability and localness survey of local Commercial Radio, March 2009.
[32] RadioCentre. Profitability and localness survey of local Commercial Radio, March 2009.
[33] RadioCentre. Profitability and localness survey of local Commercial Radio, March 2009.

4(c).   THE AUDIENCE FOR LOCAL RADIO

Consumption of the radio medium has proven remarkably robust in recent years, compared to the experiences of other traditional media such as newspapers, magazines and television. This consistent usage derives from some of radio's core characteristics:

- Radio's portability, making it a useful medium in cars, in bathrooms, on public transport and for pedestrians
- Radio's usage as a secondary medium, enabling users to listen while pursuing a primary activity (at work, driving, using the internet)
- Radio's ability to provide instant, live access to a combination of information and entertainment simultaneously
- Radio's intimate usage as 'company' for individuals listening on their own
- Radio is free of charge at the point of use (after hardware purchase).

Radio continues to be used by about 90% of the adult population every week. However, within the total, commercial radio's weekly reach has been in slight decline since its peak in 2001. Commercial radio is estimated to spend £74m per annum on programme production, compared to the £405m per annum spent by the BBC, so that the commercial sector's relative performance against BBC radio is remarkably competitive given the limitation of its budgets.[34]

Figure 19: radio weekly reach (% of 15+ population)
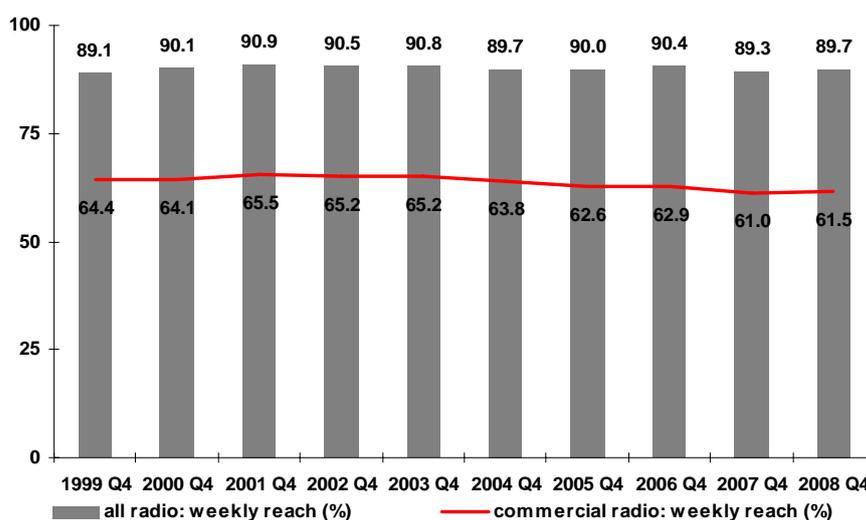
[source: RAJAR]

Although the proportion of the UK population using the radio medium on a weekly basis has remained relatively static, there is evidence that the volume

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[34] [confidential report]

of usage has demonstrated a slight decline since 2001. Within that total, commercial radio has shown a more significant decline in usage.

Figure 20: radio average usage per listener (hours per week)
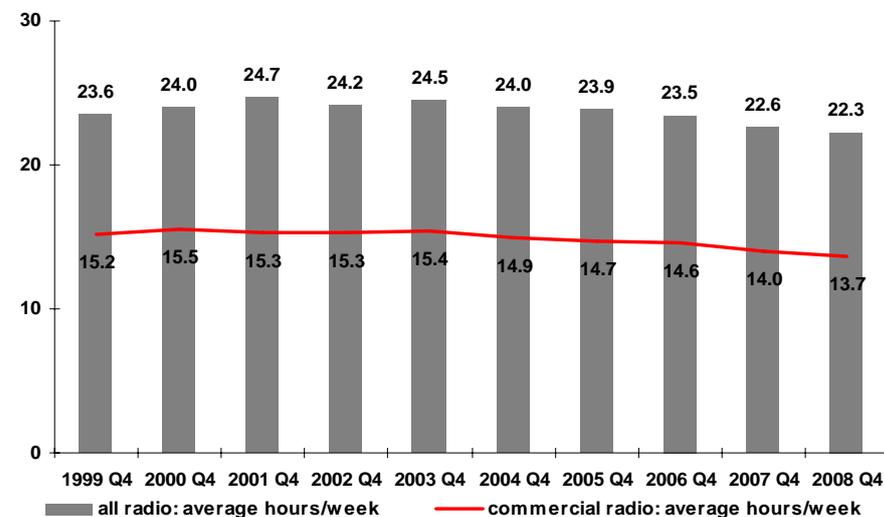
[source: RAJAR]

This reduced usage of the radio medium is particularly noticeable in the 15-24 and 25-34 year old segments of the population. Younger people have more pressures on their time and an increasing proportion of their leisure hours is being consumed by the internet, games and mobile phones.

Figure 21: all radio average usage per listener (hours per week) by age
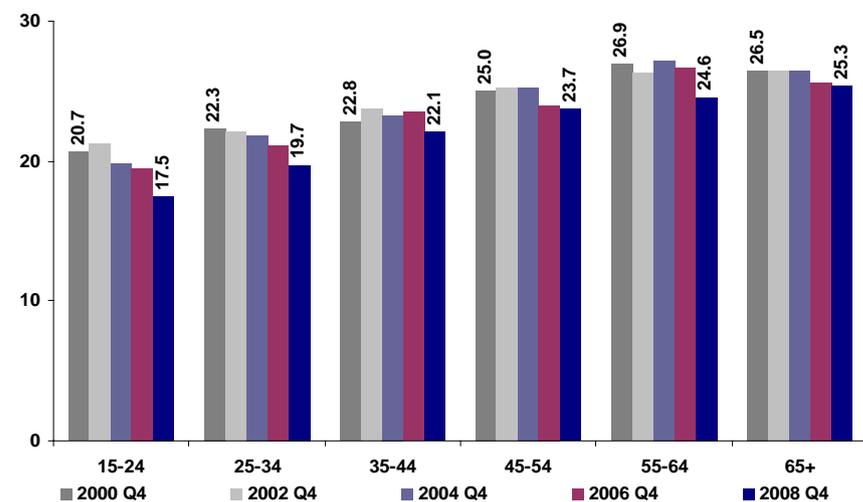
[source: RAJAR]

For the commercial radio sector, the decline in usage is more pronounced and extends across all the age groups. Commercial radio describes its 'heartland audience' as 15-44 year olds, and it is in this demographic that the fall in listening is most marked.

Figure 22: commercial radio average usage per listener (hours per week) by age
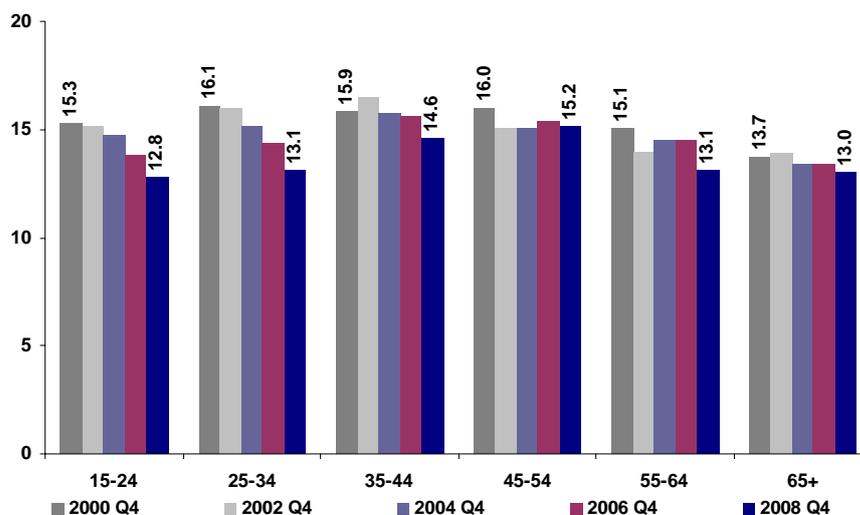
[source: RAJAR]

However, it should be noted that this data from the quarterly RAJAR survey only measures 'live' radio delivered by traditional radio broadcast organisations in the UK. It is the younger demographics that are most likely to be using the internet to download podcasts, use 'listen again' facilities, or spend time with the many online streaming music services such as Last.fm or Spotify. None of this usage, not even 'listen again' services from the BBC, is included in the RAJAR data. Hence, the evident declines in usage seen here may not be as significant as initially portrayed, but could merely demonstrate a slow shift away from linear radio consumption.

An initial analysis of total radio listening data (BBC and commercial combined) shows a long-term migration away from local radio towards national radio stations, a trend that commenced in 2002. This evidence could be construed to infer that the radio audience is making a deliberate, concerted switch away from local to national radio services.

Figure 23: listening to national and local radio stations (% share of total radio listening)
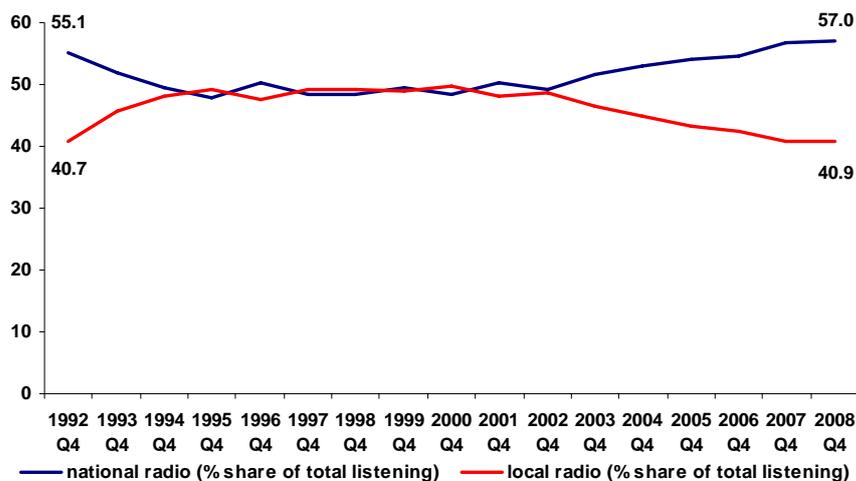
[source: RAJAR]

However, an examination of the share of radio listening attributed to 'national BBC' and 'local commercial' radio services produces an almost identical picture of listener migration. In other words, the audience seems to have been making a quite specific switch away from 'local commercial' radio services and towards 'BBC national' services since 2002, rather than exerting a preference for national radio services in general.

Figure 24: listening to national BBC and local commercial radio stations (% share of total radio listening)
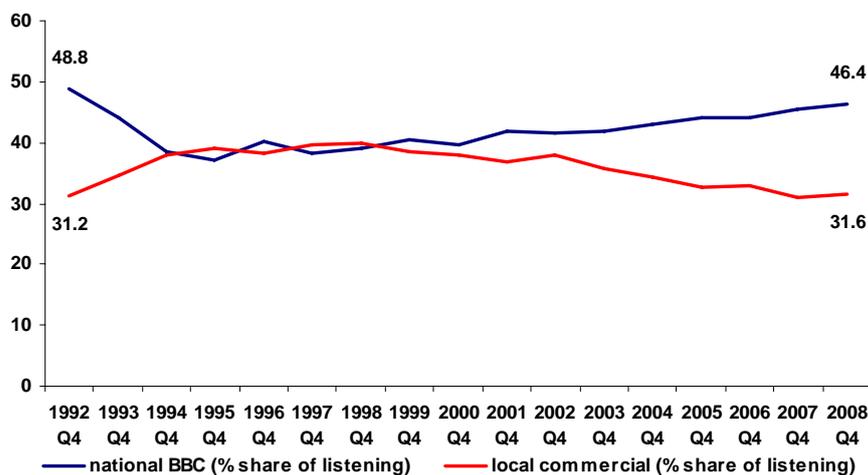
[source: RAJAR]

The main sources of popular music radio in the UK are BBC Radios One and Two and local commercial radio (national commercial radio is dominated by a classical music station and a talk/sports station). When these three sources are represented graphically, it is evident that the aggregate demand for popular music radio has remained remarkably consistent (only slightly tempered over time by the ageing population's preference for speech radio).

Figure 25: listening to local commercial radio, BBC Radio 1 and BBC Radio 2 stations (% share of total radio listening)
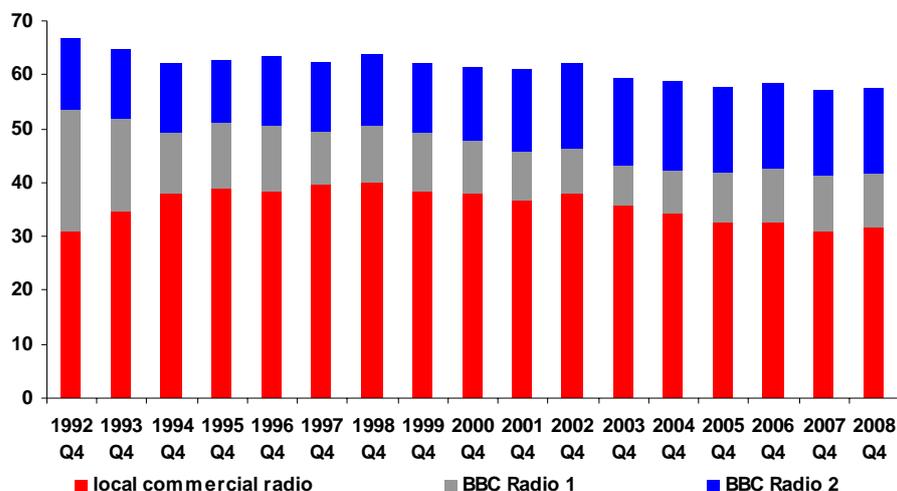
[source: RAJAR]

At the beginning of the 1990s, the BBC radically overhauled the content of Radio One, resulting in a sudden audience exodus which more than halved the station's share of radio listening. The sole beneficiary of this mass migration was local commercial radio, which listeners at the time evidently felt offered content more suited to their needs. Radio One's listening share fell from 22% in 1992 to a low of 8% in 2004, since which is has only slowly improved.[35] At the same time, the BBC has made changes to the output of Radio Two which have increased the station's listening share consistently since 1999. The combined effect of new content policies at these two stations is that that the BBC has slowly clawed back the listening to local commercial radio that had been lost abruptly by Radio One at the beginning of the 1990s.

Thus, the initial impression suggested by top-line data that a deliberate shift from local radio to commercial radio has occurred is, I would argue, more a result of the ebb and flow of listening within the music radio landscape between local commercial radio, BBC Radio One and Radio Two. Unless a station is offering a specific niche format with unique appeal to a certain demographic or group of consumers, it is the content broadcast by radio owners that will persuade listeners to switch their allegiances from one station to another. No listener is going to choose to listen to a 'local' radio station simply because it is 'local', particularly if its content holds no appeal.

What is also evident from the listening data is that national commercial radio alone is unlikely to become the 'saviour' of the commercial radio sector, unless the commercial radio offering is increased at a national or regional level

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[35] RAJAR.

to challenge the BBC in terms of talent and coverage. Not only is national commercial radio's share of total radio listening still relatively small compared to local commercial radio (11% versus 32% in Q4 2008), but its growth in recent years has been fuelled only by the addition of some existing local station brands on out-of-area digital transmitters (creating 'quasi-national' stations) and by digital-only radio stations.[36] An increased number of offerings to consumers is bound to pick up additional listening, but there is no evidence yet of a wholesale shift of radio listening towards national commercial radio stations.

Figure 26: listening to national commercial radio (% share of total radio listening)
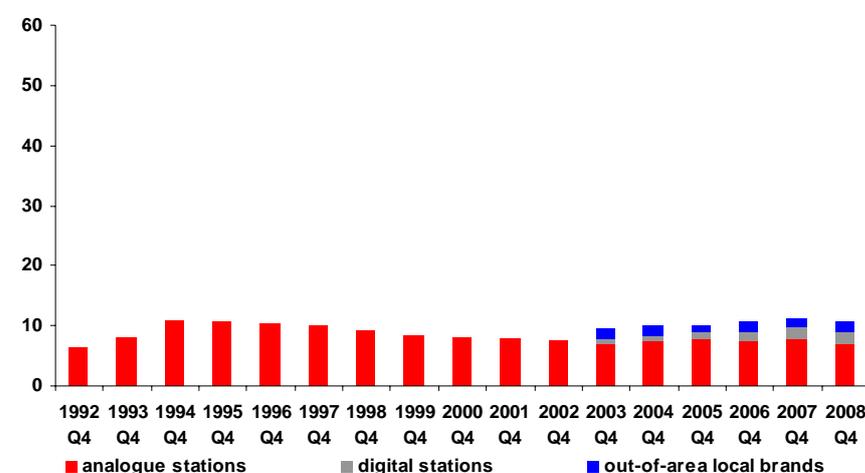
[source: RAJAR]

One significant change that has taken place during the last decade is the ownership structure of commercial radio. During the 1970s and 1980s, each local commercial radio licence had been owned by a different company, often with shareholders and board members drawn from the station's coverage area. During the 1990s, there was a degree of consolidation within the sector, although legislative limits restricted the number of local stations that could be owned by a single company. By 2001, the three largest radio companies owned 54% of the commercial radio industry (by share of listening).[37]

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[36] RAJAR.
[37] RAJAR Q4 2001.

Figure 27: ownership of commercial radio: Q4 2001 (% share of commercial radio listening)
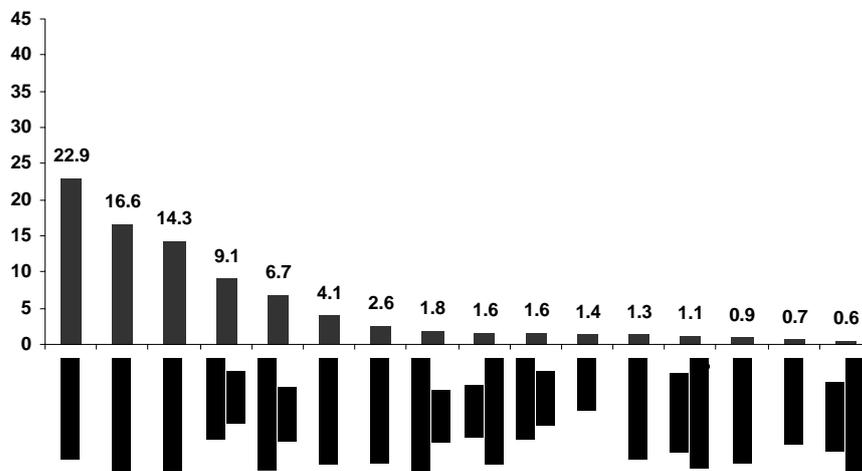
[source: RAJAR]

The Communications Act 2003 changed the media ownership rules to allow a greater amount of consolidation within the commercial radio sector. By the end of 2008, three companies owned 77% of the industry (by share of listening).[38]

Figure 28: ownership of commercial radio: Q4 2008 (% share of commercial radio listening)
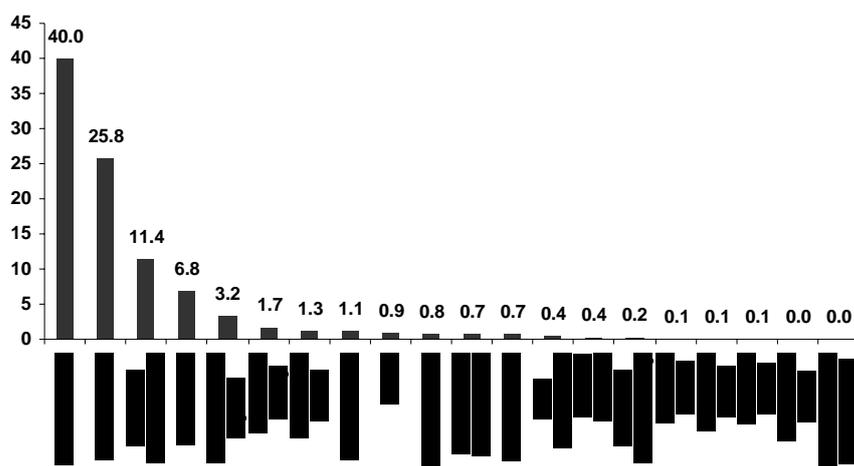
[source: RAJAR]

This round of sector consolidation has coincided with a period during which many local radio stations have lost significant traction within their local markets. A comparison of the performance (share of listening within local market) of each local commercial radio station in 2001, and in 2008, shows

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[38] RAJAR Q4 2008.

that 79% of local stations lost market share during that period. Furthermore, the smaller stations lost considerably more percentage points of market share than the larger stations.

Figure 29: change in individual local commercial station listening share (absolute change in % share) Q4 2001 to Q4 2008 by population of station survey area ('000)
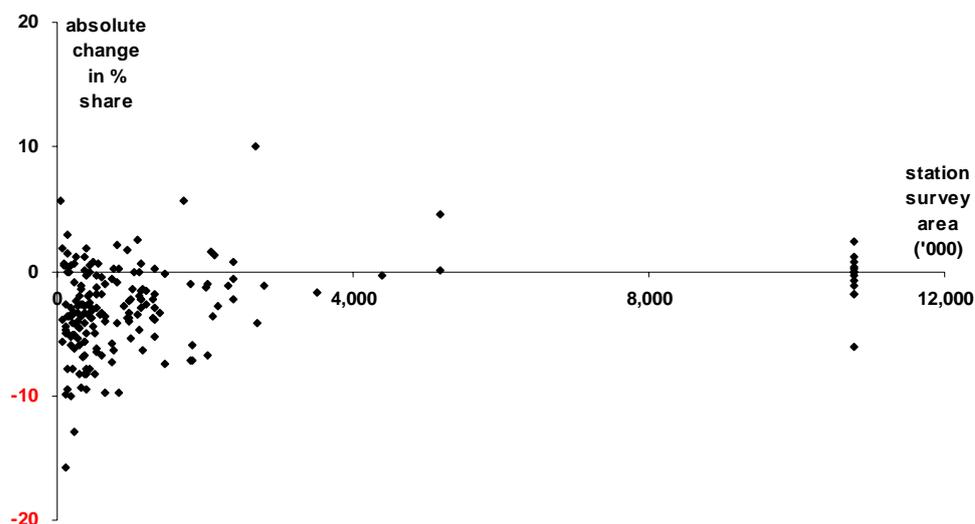
[source: RAJAR, each dot represents one of 186 local commercial stations surveyed in both Q4 2001 and Q4 2008]

In 2001, there were 255 local commercial radio stations, but that number had risen to a peak of 315 by 2007.[39] What happened in the interim period was that:

- 60 new local stations each added further costs to the aggregate local commercial radio cost base, without much hope of them generating an operating profit
- Newly launched local commercial radio stations generally 'cannibalised' the audiences of existing local commercial radio stations in their individual markets
- Aggregate listening to local commercial radio declined as a result of listener migration to BBC national radio services.

The impact of these changes has been particularly evident in London, which supports more local commercial radio stations than any other UK local market. 'Heritage' station Capital FM has lost considerable market share in recent years (from 12.4% in 2000 to 4.8% in 2008), but the vast majority of that station's loss has migrated to BBC national stations, and not to the commercial sector. As a result, the competing local commercial radio stations in the market (Magic, Heart, Kiss) have made only relatively minor gains in market

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[39] Ofcom.

share. Commercial radio's market share in London has in fact fallen below 50% for the first time in almost two decades. Notably, London is not one of the markets to have added new local commercial services during this period, or the impact of commercial radio 'cannibalisation' could have been even worse.

Figure 30: market share of major radio stations in the London market (% share 15+ population)[40]

station	platform	owner	Q4 2000	Q4 2002	Q4 2004	Q4 2006	Q4 2008
ALL COMMERCIAL			57.3	54.6	51.9	53.3	**49.8**
ALL BBC			40.4	42.6	45.7	44.0	**47.7**
BBC Radio 4	FM/AM	BBC	13.9	15.1	15.4	14.4	**17.5**
BBC Radio 2	FM	BBC	10.4	12.0	12.2	10.4	**10.3**
Magic	FM	Bauer	4.9	4.6	6.1	5.5	**6.0**
BBC Radio 1	FM	BBC	5.7	4.7	4.3	4.8	**5.4**
Heart	FM	Global	4.7	3.1	5.3	7.1	**5.0**
BBC Radio Five Live	AM	BBC	4.3	4.7	4.4	5.0	**4.9**
Capital FM	FM	Global	12.4	8.8	6.2	4.7	**4.8**
Classic FM	FM	Global	4.5	4.8	5.0	4.1	**4.4**
Kiss	FM	Bauer	4.2	4.9	3.9	3.9	**4.2**
LBC 97.3 FM	FM	Global	0.7	1.0	2.1	3.3	**3.6**
Total Absolute Radio	FM/AM	TIML	4.6	3.1	3.3	3.6	**3.0**
TalkSport	AM	UTV	1.5	2.0	2.4	2.5	**2.5**
BBC Radio 3	FM	BBC	1.7	1.8	1.9	2.3	**2.2**

[source: RAJAR, most listened to stations ranked by share in Q4 2008]

Commercial radio's tendency to 'cannibalise' its existing audience is not at all a new phenomenon. A study of the 16 regional commercial stations licensed by the regulator between 1994 and 2003 found that all but one of the new stations (Real Radio Wales) had cannibalised the audiences of existing 'heritage' commercial stations in their local markets, whilst BBC national stations had nevertheless made audience gains.[41] The addition of further new local commercial radio stations since then has only exacerbated the trend.

The result is that, whilst the number of local commercial radio stations has continued to grow, the audiences and revenues now available to existing local stations have shrunk, while new local competitors have little chance of attracting sufficient audiences or revenues to become profitable. At the same time, there has been a steady migration of listening away from local commercial radio as a whole and towards BBC national stations, seemingly not because of a lack of interest in 'local radio' per se, but because the BBC is offering the audience a more appealing product at a time when commercial radio is struggling, through a lack of profitability, to deliver content that would retain local listeners.

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[40] RAJAR.
[41] Grant Goddard. Do New Commercial Radio Stations 'Cannibalise' Existing Players?, paper, January 2005.

Figure 31: number of analogue local commercial radio stations and commercial radio's share of radio listening (%) by year
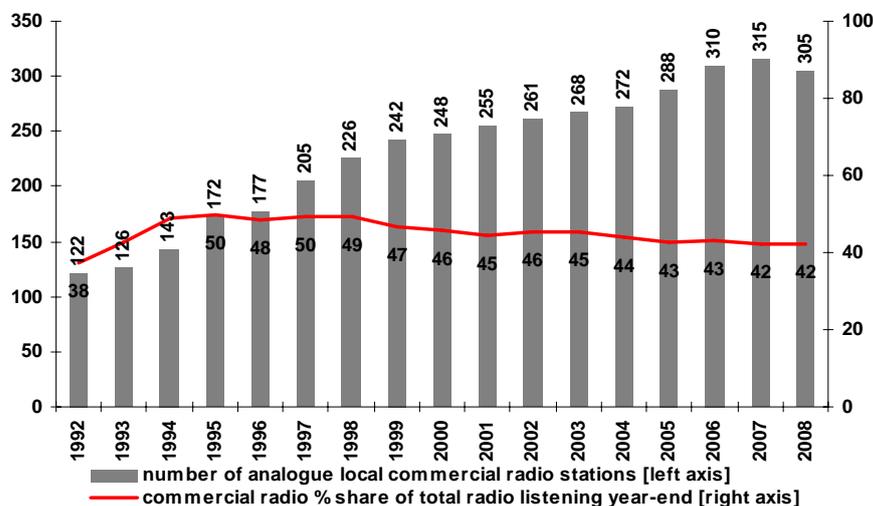
[source: RAJAR, Ofcom]

Nevertheless, compared to the performance of BBC local radio, local commercial stations continue to achieve much more significant results, demonstrating that consumer demand for 'localness' from radio is undeniably satisfied to a much greater extent by the commercial sector.

Figure 32: listening to local commercial radio and BBC local radio (% share of total radio listening)
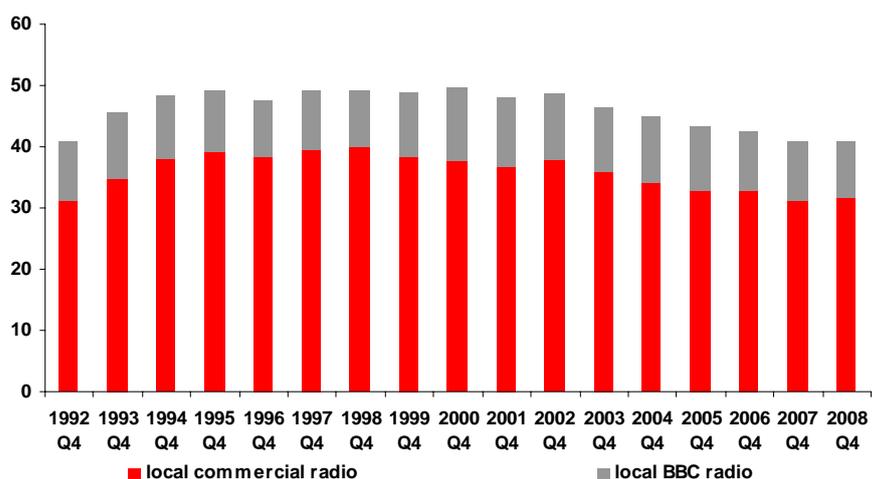
[source: RAJAR]

4(d).   THE DEMAND FOR 'LOCALNESS' IN RADIO

The desirability of 'localness' within the radio medium is regularly advocated by industry stakeholders, organisations, and politicians, but it proves useful to examine empirical evidence that can illuminate the precise nature of citizens' expectations. Ofcom has commissioned a considerable volume of research that clearly demonstrates the continuing demand for local content on local radio.

In a research study commissioned from MORI, respondents were asked how important certain attributes of radio were to them in making their decision to listen to a particular station. Out of twenty attributes, four examples of local content – local news, local travel news, local weather and issues affecting the local community – were among the top seven selected.[42]

Figure 33: importance of radio services in deciding to tune to a radio station[43]
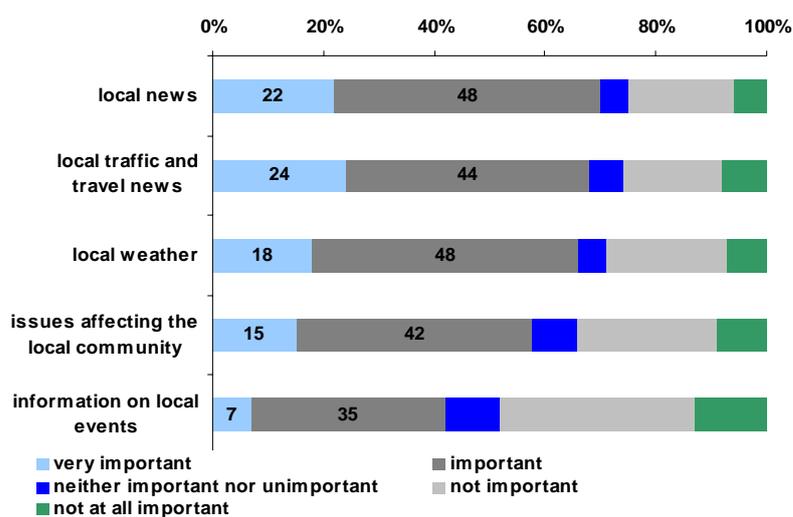
[source: Ofcom]

These same types of local content were found to be important to citizens not only in the context of local radio, but across all local media available within their market.

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[42] Ofcom, Radio – Preparing For The Future, Appendix B, 15 December 2004, pp.24-5, Table 4.
[43] Ofcom, Radio – Preparing For The Future, Appendix B, 15 December 2004, p.25, Table 4.

Figure 34: interest in listening to, watching and reading about things in your local area[44]
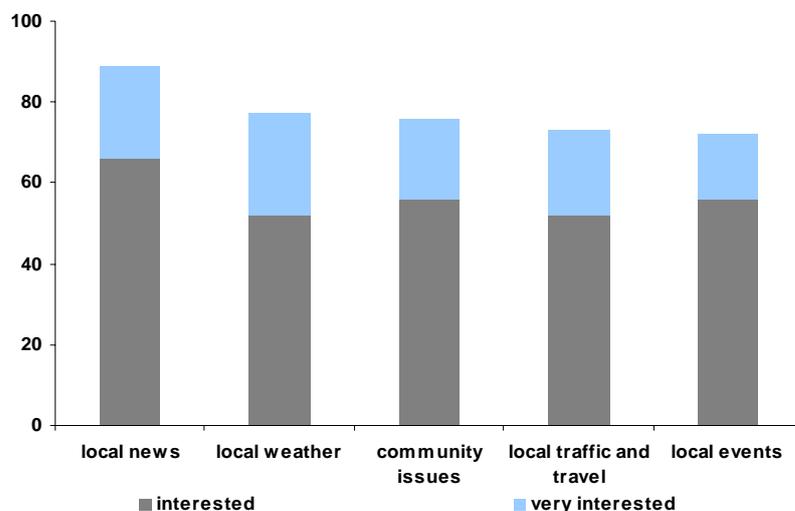
[source: Ofcom]

The same research project demonstrated that, whilst paid-for and free local newspapers were the most frequently used sources of information for more localised issues, local radio was the fourth most regularly used way of finding out local information.[45] However, respondents expressed opinions that the local press could not compete with radio in offering time-critical local content which benefited from the radio medium's 'liveness' and its accessibility to users whilst driving or at work.[46]

Another Ofcom research study of news provision confirmed that radio retained its importance for citizens as a source of local news, only surpassed by television and the local press, and considerably ahead of the internet and mobile phones.[47] Newspapers were the overall primary platform for local news, with local and national titles combined used regularly by 74% of respondents.[48] However, younger age groups were making less use of traditional platforms such as newspapers when they wanted to access local news.[49]

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[44] Ofcom, Radio – Preparing For The Future, Appendix B, 15 December 2004, p.36, Figure 11.

[45] Ofcom. Radio – Preparing For The Future, Appendix B, 15 December 2004, p.33.

[46] Ofcom. The Future Of Radio: Localness, 22 November 2007, p.21, para. 5.15-5.16.

[47] Ofcom. Annexes to New News, Future News – Research and Evidence Base, 26 June 2007, p.58, Figure a1.34.

[48] Ofcom. Annexes to New News, Future News – Research and Evidence Base, 26 June 2007, p.57, para.A1.244.

[49] Ofcom. Annexes to New News, Future News – Research and Evidence Base, 26 June 2007, p.57, para.A1.245.

Figure 35: regularly used sources of local news[50]
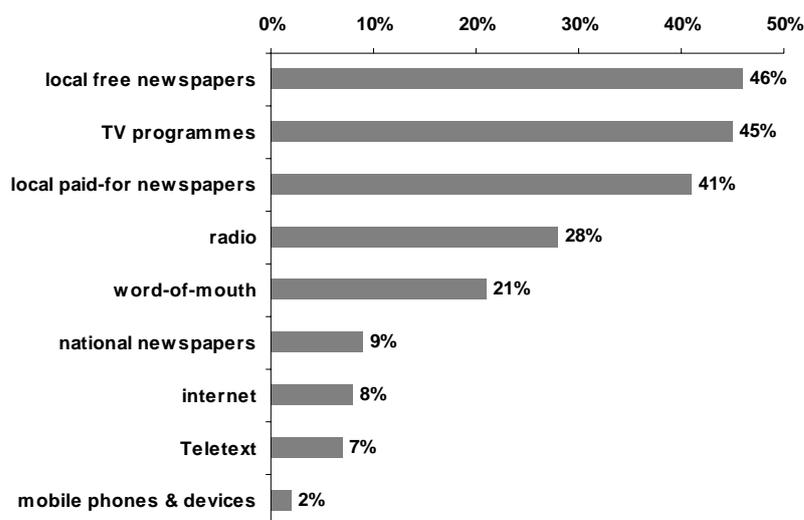
[source: Ofcom]

Asked how the desired local content should be executed on radio, respondents were very clear about the attributes of local radio that were important to them: local presenters with local knowledge, the radio station to be based in or near their locality, and station staff to be based in the local area.[51]

Figure 36: "How important is it to you that…….."[52]

- very important
- important
- neither important nor unimportant
- not important
- not at all important
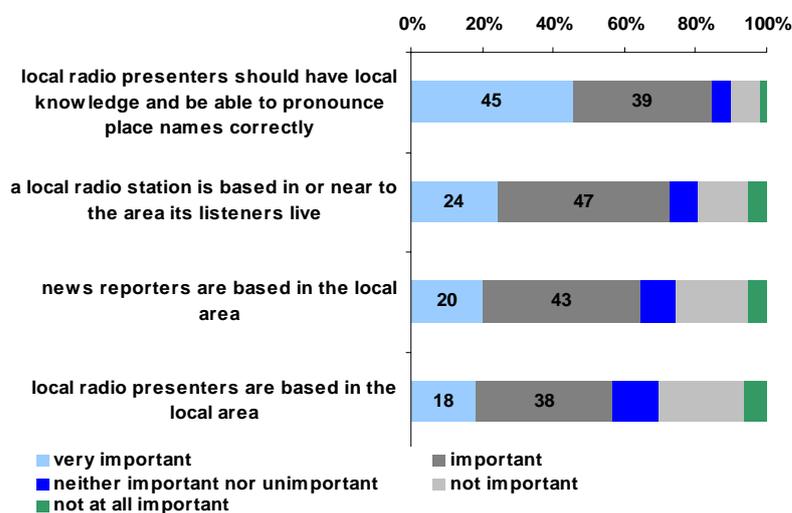
[source: Ofcom]

The genuinely local attachment of a local station to its local area was found to be important to its audience. One research project reported that "nearly all listeners felt that the quality and relevance of local traffic/travel reports, and

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[50] Ofcom. Annexes to New News, Future News – Research and Evidence Base, 26 June 2007, p.58, Figure a1.34.
[51] Ofcom. Radio – Preparing For The Future, Appendix B, 15 December 2004, pp.44-5.
[52] Ofcom. Radio – Preparing For The Future, Appendix B, 15 December 2004, p.45, Figure 14.

local news and weather bulletins, were enhanced by being locally-made and broadcast by local people".[53]

Asked directly how important it was for different types of content to be included in the output of local radio, respondents focused overwhelmingly on the same issues – local news, local travel news, local weather, community events and local events.[54] Although listeners said that they tuned to a local station primarily for a combination of the music, the presenters, local news and travel information, nevertheless they felt it important that local radio stations should broadcast information about local events.[55]

Figure 37: importance of issues being covered on local radio (prompted)[56]

[source: Ofcom]

Asked to rank a list of 32 characteristics of radio (all radio rather than local radio) by their importance, respondents' four most popular choices included:

- Local news bulletins and reports to keep people well informed (88% described these as quite or very important); and
- Local and national weather reports (88% described these as quite or very important).[57]

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[53] Ofcom. The Future Of Radio: Localness, 22 November 2007, p.26, para.6.12.

[54] Ofcom. Radio – Preparing For The Future, Appendix B, 15 December 2004, p.48.

[55] Ofcom, Radio – Preparing For The Future, Appendix B, 15 December 2004, p.48.

[56] Ofcom, Radio – Preparing For The Future, Appendix B, 15 December 2004, p.48, Table 8.

[57] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.15, Figure 5.

Figure 38: importance for consumers of radio attributes[58]
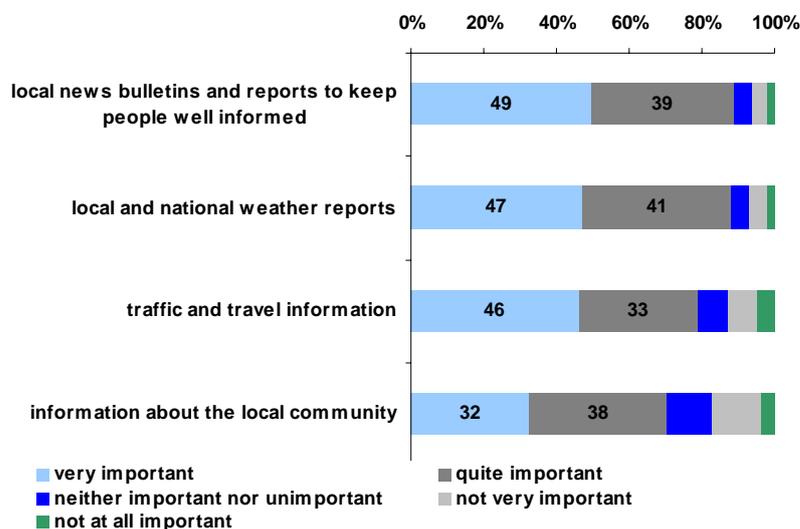
[source: Ofcom]

There was also a strong demand among respondents for traffic and travel information (79% described this as quite or very important) and for information about the local community (70% quite or very important).[59] Older listeners were particularly interested in radio's information content, with 92% describing 'local news' as important.[60]

Ofcom's research found conclusively that "local radio in particular plays a role both serving communities and giving communities a sense of identity".[61] In a series of three-hour focus group discussions held in eight cities (Aberdeen, Cardiff, Belfast, Weston-super-Mare, Northampton, London, Birmingham and Liverpool), radio was singled out as the medium with which communities most strongly identified. The study concluded that radio "was seen as more local, and therefore more relevant, from a community perspective than television, yet still a large-scale broadcast medium with more perceived impact than local press, for example".[62]

When respondents were offered the option of more local radio stations or more national radio stations, twice as many opted for new 'local' rather than 'national' services.[63] Respondents voiced an even stronger preference for

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[58] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, pp.15 & 22, Figures 5 & 13.
[59] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.22, Figure 13.
[60] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.22.
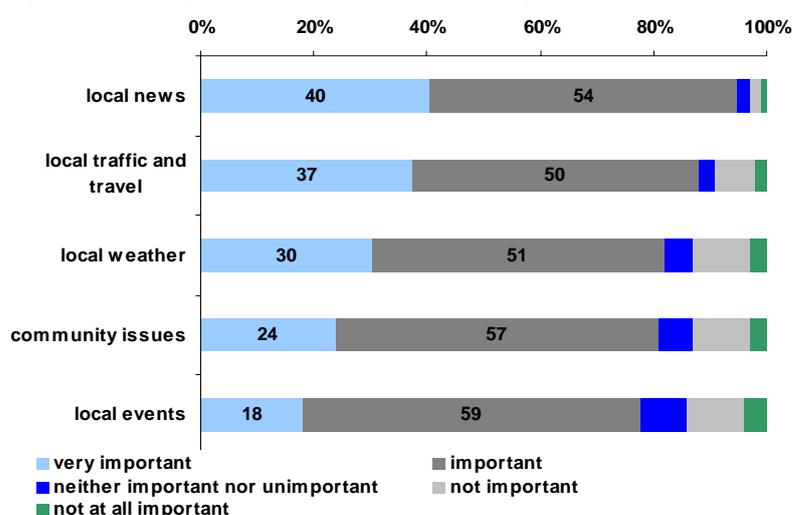[61] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.28.
[62] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.28.
[63] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, pp.28-9, Figure 19.

local presenters, rather than nationally networked presenters, to be heard on local radio. The research found that these opinions were held equally in rural Somerset and inner-city London because "radio was felt to have an important role in giving local communities a sense of identity".[64]

Figure 39: preferences for local versus national[65]
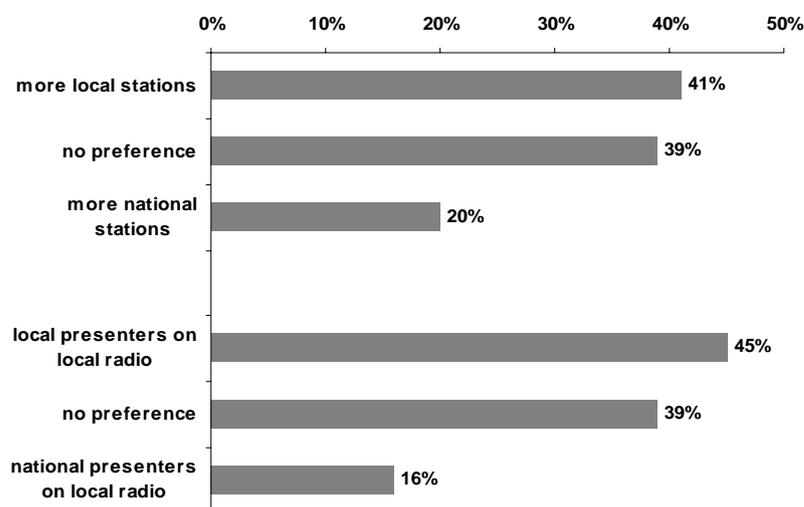
[source: Ofcom]

One of the most important findings from this market research was that:

"Local radio was felt to involve communities in very tangible and positive ways. The visibility of presenters in the community, roadshows, and other ways of supporting local events and causes help to create empathy and trust. Local voices, requests and competitions and more direct community participation help to create a sense of ownership. For many, their local radio service is important and truly valued".[66]

A separate qualitative research project, which convened focus groups in Liverpool, Lincoln, Dundee, Belfast, Plymouth and Haverfordwest, found that core functional local content – local news, local weather and travel information – was cited as "indispensable" output that local radio must deliver. The research found that "the majority of members of a community rely to some degree or other" on these three types of local content, regardless of the individual listener's lifestage or urban/rural residence. It concluded that "for many listeners, core functional local content was deemed more important from their local radio station than national news".[67]

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[64] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, pp.28-9, Figure 19.
[65] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.29, Figure 19.
[66] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.29.
[67] Ofcom. The Future Of Radio: Localness, 22 November 2007, p.19, para.5.5-5.7.

The research cited so far did not distinguish between the provision of local content by BBC radio or by the commercial sector. However, separate Ofcom market research discovered a clear preference from citizens for commercial radio to deliver the localness they demanded. Respondents were very clear that "the BBC should be primarily responsible for national coverage, for speech programming and for intellectually stimulating content", while "commercial radio's emphasis should be music and music-related chat, local news and community information".[68]

Figure 40: broadcaster obligations voiced by citizens[69]

BBC radio	commercial radio
national news (74%)	local news (67%)
up-to-the-minute news (72%)	local and national weather (66%)
easy to receive on the move (69%)	music from a variety of eras (66%)
traffic and travel information (69%)	traffic and travel information (65%)
intelligent presenters (67%)	music of different styles (65%)
variety of speech programmes (66%)	easy to receive on the move (62%)
witty and entertaining presenters (65%)	witty and entertaining presenters (62%)
variety of speech stations (64%)	local community information (61%)

[source: Ofcom]

This research concluded that "commercial broadcasters are expected by more people to have a responsibility to deliver local services, despite the presence of BBC local radio".[70] These preferences closely mirror the existing usage pattern of radio, where the BBC accounts for the majority of listening to national radio services, while commercial radio dominates local radio listening.

Figure 41: share of total radio listening (%)
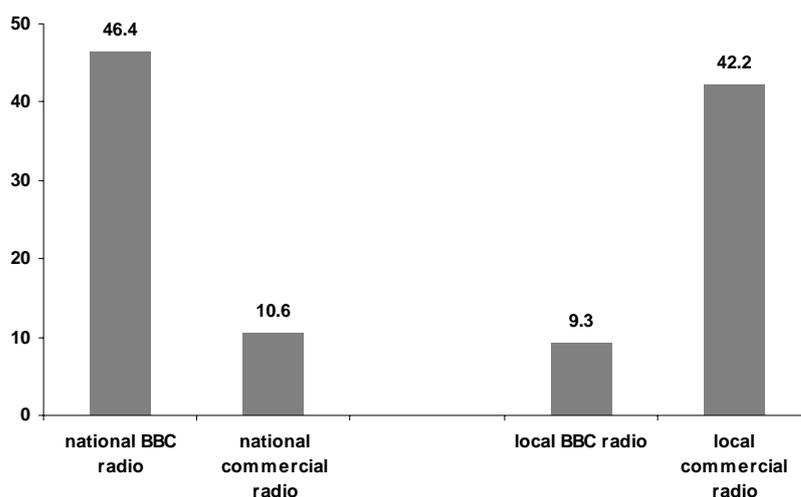

[source: RAJAR, Q4 2008]

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[68] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.45.
[69] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.46, Table 6.
[70] Ofcom. Radio – Preparing For The Future, Appendix A, October 2005, p.46.

Ofcom research commissioned from MORI in 2004 discovered a remarkably high level of satisfaction with the provision of local content provided by local radio.[71]

Figure 42: satisfaction with local radio services[72]
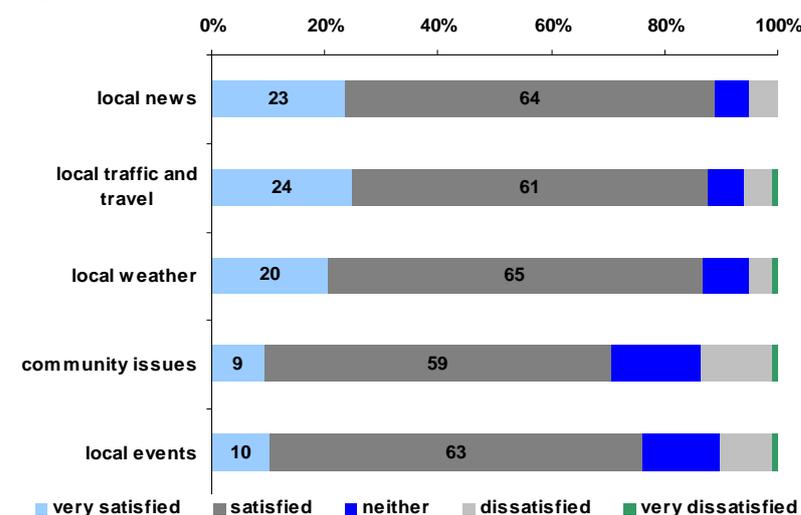
[source: Ofcom]

In workshops which accompanied this research, people said they were generally happy with the provision of local content on the radio and they found it difficult to think of ways that local radio could be improved.[73]

Canvassed about potential changes to the existing UK local radio ecology, the majority of respondents opted for a model as close to the status quo as possible.[74] Most listeners were unwilling to see a reduction in local content and locally-made programmes, viewing these as the 'USP' of local stations, and they assumed that such reductions would naturally lead to reduced listening, and therefore reduced advertising revenues, for the station.[75]

The majority of respondents "argued that the withdrawal of local stations to a syndicated regional or national level would work against the stations themselves, as there would no longer be the point of difference with existing national stations, and therefore they would lose their local audiences".[76] The researchers concluded that:

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[71] Ofcom, Radio – Preparing For The Future, Appendix B, 15 December 2004, p.50, Table 9.
[72] Ofcom, Radio – Preparing For The Future, Appendix B, 15 December 2004, p.50, Table 9.
[73] Ofcom, Radio – Preparing For The Future, Appendix B, 15 December 2004, p.51.
[74] Ofcom. The Future Of Radio: Localness, 22 November 2007, p.29, para.7.10.
[75] Ofcom. The Future Of Radio: Localness, 22 November 2007, p.27, para.7.9 & 7.11.
[76] Ofcom. The Future Of Radio: Localness, 22 November 2007, p.27, para.6.24.

"the notion of a high-profile network presenter as a replacement for localised presenters also received little support, as most respondents felt that these were already provided by national stations and, in any case, would not be a satisfactory substitute for the localness they would be replacing".[77]

A move away from local content was seen as counter-productive for the local radio station, as one participant explained:

"[Localness] is the only thing they [the local broadcasters] have got going for them. Why would they want to do away with that?"[78]

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[77] Ofcom. The Future Of Radio: Localness, 22 November 2007, p.27, para.6.26.
[78] Ofcom. The Future Of Radio: Localness, 22 November 2007, p.27, para.7.9.

4(e).   THE REGULATION OF 'LOCALNESS' IN RADIO

Background

Localness has been at the centre of the UK's local commercial radio system from the industry's beginnings in 1973. For a long time, this fact was taken so much for granted that none of the broadcast legislation enacted to create or develop local commercial radio required stations to make a specific ongoing commitment to local content. It was only when an applicant initially applied for a commercial radio licence that it had to describe its plans for content in some detail. Subsequently, there was no ongoing evaluation of the station's output by the regulator, until its licence was due for renewal. Local radio was local purely by default.

In the industry's early days, when each local commercial radio station was separately owned, its content was automatically assumed to be full of local relevance. It was only when the industry started to consolidate that the possibility arose that the same content could be broadcast on several different stations. An early example of consolidation followed the commercial failure of Bristol station Radio West in 1985, when the regulator agreed it could be saved by a merger with neighbouring Wiltshire Radio in Swindon to create GWR Radio. By the early 1990s, GWR had acquired further local stations around the UK and had started to broadcast some of the same shows across its portfolio. From 1992, GWR's FM services were being marketed collectively as 'The Mix Network', and its AM services as 'Classic Gold'.

During this period, there were a number of inter-related developments in broadcast technology that enabled relatively cheap computer systems to create and distribute content across a group of local stations:

- 'Voice tracking'. This system allowed one presenter to pre-record the spoken links between the tracks for a music show in a single sitting, without them having to listen through the songs in real time. As a result, a three-hour show could be pre-recorded in, say, half an hour. A computer system would then combine the music with the presenter's links when the show was played out for broadcast. This system meant that a single presenter could record many hours of radio content within a single shift.

- 'Networking'. Through investment in infrastructure that created a music-quality data network linking co-owned stations in different towns, a show for a local station in, for example, Bournemouth could be created in a network production centre elsewhere in the UK. This system enabled a

show which sounded to listeners as if it were coming live from the local station's studio in Bournemouth to be delivered from elsewhere.

- 'Automation'. Computer technology allowed a radio group to deliver programmes that sounded 'live', and which included chat from a presenter, from an unmanned 'playout' system. As a result, a local station might sound as if an overnight presenter were talking live to listeners, even though the station premises were empty and locked for the night.

These technologies were implemented primarily to reduce the costs of producing content for a number of local stations that were co-owned. The required investment in computer hardware and data networks was considered worth the 'benefit' of reducing the number of presenters and producers employed in aggregate. At the same time, it would improve the productivity of each member of the production staff, who could now be expected to produce a series of four-hour shows for future broadcast on different local stations within a single workday.

Although some of these technologies had been utilised by commercial radio stations in the United States since the 1960s, their arrival in the UK had not been anticipated by the regulator. As a result, The Radio Authority found itself playing 'catch up' with its regulation of these technological developments, for which no guidance or rules had previously existed. The result was the issue of a series of regulatory edicts on 'voice tracking', 'automation' and 'networking' which attempted to 'claw back' the content of local commercial stations so that the majority of it remained 'live' and locally produced.

The Radio Authority's only legislative crutch for such newly created rules was a phrase in the 1990 Broadcasting Act that required stations to broadcast "high quality" output.[79] This started a period of tension (at times significant) between commercial radio owners and the regulator concerning the production, location and delivery of programming, which has persisted to this day. An example of ad hoc policy adopted by The Radio Authority was its announcement to licensees that:

> "At the forefront of the Authority's thinking on automation is its obligation to secure high quality. This is not an obligation that ends with the licence award process; it is an ongoing remit".[80]

The response of the commercial radio trade body to the Radio Authority's intervention in its content systems was a threat to refer the matter to judicial

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[79] Broadcasting Act 1990. para.85(3)(a).
[80] Radio Authority. Paper 44(01), 1 May 2001.

review, although it eventually backed down. However, the damage to the pair's relationship was already done. Henceforth, there was mutual distrust between:

- A regulator that the commercial radio industry felt was trying to interfere in the implementation of new technologies that would improve productivity;

- and an industry that the regulator felt was trying to wriggle out of its unwritten commitment to keep local radio genuinely local.

By 2003, the Radio Authority had seemingly become exasperated by trying to control the changes in content delivery implemented unilaterally by some of the consolidated radio groups, and it compared its role to "going on a fishing expedition where [we] would be forced to put the fish back into the water should the struggle to net it prove to be too difficult".[81] One Radio Authority document commented:

> "…..whereas, in the past, the Authority and the radio industry generally were working to the same agreed but unspoken criteria, such consensus can no longer be assumed. Increasingly, as in the case of writing and applying rules on automation, the Authority has to spell out exactly what it means. 'Light touch regulation' based on common understandings no longer works; we now need 'light touch with knobs on'".[82]

New legislation within The Communications Act 2003 explicitly required local commercial radio stations to adhere to 'localness' policies in their output for the first time. It was now a legal requirement that local commercial radio stations broadcast "programmes consisting of or including local material" and "locally-made programmes".[83] The Act defined 'local material' as content that is "of particular interest" to:

- "persons living or working within the area or locality for which the service is provided";
- "persons living or working within a part of that area or locality";
- "particular communities living or working within that area or locality".[84]

The Act went on to define 'locally-made' programmes as those "made wholly or partly at premises in the area or locality for which that service is

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[81] Radio Authority. Paper 46(03), 1 July 2003.
[82] Radio Authority. Paper 46(03), 1 July 2003.
[83] HMSO. Communications Act 2003 (c.21), section 314:1.
[84] HMSO. Communications Act 2003 (c.21), section 314:1.

provided".[85] It mandated the then newly created regulator Ofcom to determine the extent to which local radio stations must broadcast 'local material' and 'locally-made' content, and required Ofcom to "draw up guidance" in consultation with station licensees and organisations representing listeners. Such guidance "may be different" for different types of local stations.[86]

The Present

It was and is Ofcom's responsibility to implement the new 'localness' requirements for local commercial radio, and to consult with the commercial radio industry before publishing 'guidance'. Early in this process, Ofcom stated that:

> "To devise any system of box-ticking against various localness criteria would be fundamentally to misunderstand the nature of local content and its context. Such a system would be likely to create a non-stop conveyor-belt of check-sheets, where any queries about content would probably be impossible to clarify. Moreover, it would be inconsistent with Ofcom's regulation of television output, which is moving away from a box-ticking system".[87]

In its first consultation on 'localness', Ofcom noted that "localness is, ironically, most easily identified in its absence" and suggested that "the major outcome of localness delivery is the feel for an area a listener should get by tuning in to a particular station, coupled with confidence that matters of importance or interest to people in the area will be accessible on air".[88]

This description matched almost identically the description of 'localness' for local radio offered by Ralph Bernard, then Executive Chairman of GWR Group:

> "We measure, through our own audience research, whether listeners rate our stations as the best source of local news and information, and our stations consistently beat their competition on this measure. Localness is a key selling point to listeners – it has to be when our competitors are generally regional or national – and advertisers in an area are much more likely to support a radio station that is a vibrant local business with its roots deep in the

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[85] HMSO. Communications Act 2003 (c.21), section 314:7.
[86] HMSO. Communications Act 2003 (c.21), section 314:1-5.
[87] Ofcom. Radio – Preparing For The Future: Phase 1, 16 December 2004, p.85.
[88] Ofcom. Localness On Local Commercial Radio Stations: An Interim Consultation Document Reviewing Localness Basics, 4 March 2004, pp.4-5.

local community. So we're experts on what makes a local station really hum, which aspects are relevant to our listeners, which events are going to draw a crowd, which local institutions deserve support........ This is something that, if we get it wrong, will cause our stations to lose audience and advertisers faster than any regulatory process could react to".[89]

Despite this apparent harmony between the regulator and the commercial radio industry about the need to put the listener in a particular radio market at the centre of the regulation of 'localness', the two parties' strategies subsequently diverged as the consultation process progressed. To the commercial radio industry, it seemed as if Ofcom had really wanted to continue its policy of 'box-ticking', rather than making an attempt to measure a specific station's ability to offer listeners in a particular market whatever they required in terms of 'local' content. To the regulator, it viewed radio owners' demand for greater flexibility as a means to simply reduce the amount of local content offered on their stations.

Both parties must share some of the blame for what today is considered by many stakeholders to be a less than ideal 'localness' framework under which local commercial radio operates. It is undeniable that some consolidated radio groups, both large and small, have proceeded to re-organise the local stations they own by:

- Centralising music playlists so that the same songs are played on co-owned stations
- Changing the names of local stations so that they are common across a region, or even across the whole UK
- Changing the logos and branding of local stations so that they are almost identical
- Sharing an increased proportion of content between stations within a region or across the whole UK
- Centralising news provision into 'news hubs' that supply local news bulletins from a central point, rather than from each individual station
- Requiring music presenters to repeatedly read 'liner cards' containing a prescribed series of marketing statements and slogans, rather than allowing them to improvise.

While some might suggest this is a flawed approach, any owner has an absolute right to run their businesses as they see fit within the legislation, especially in a world where digital technologies present significant challenges; though it is also fair to say that such changes seem to have contributed to a

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[89] Ralph Bernard. Address to the Westminster Media Forum on the Communications Bill, 5 December 2002.

feeling that localness has been eroded. Some of these changes have undoubtedly come about through economic necessity, whereas others have fundamentally changed the way in which local commercial radio stations are perceived by their audiences. The aggregate audience data for listening to local commercial radio (detailed earlier) suggests that there are many stations no longer achieving their maximum potential within their local markets. Undoubtedly, there has been a certain amount of disconnect between audiences who continue to demand local content and the content that is offered to them by some local commercial radio stations.

Whereas local commercial radio used to be a patchwork of quirky, individualistic stations broadcasting sometimes quite parochial content to diverse local audiences across the country, today much of its output across the UK can sound similar and indistinguishable. In no way is such criticism intended to invoke a nostalgic wish for commercial radio to return to its past. Rather, the medium needs to look to the future landscape of radio in Digital Britain, in which a local commercial station will be forced to compete for attention against a deluge of content delivered by a wider variety of technologies to an increasing number of different devices.

Whereas 'heritage' local commercial stations once enjoyed a monopoly within their local markets, now not only are they competing with newer local broadcast stations within their areas, but also with the wealth of content delivered from outside their area via the internet. This content will be increasingly global (assuming rights issues are addressed), requiring every station, local or otherwise, to have a very clear 'Unique Selling Point' (USP) that will attract listeners and advertisers.

For this reason, the 'localness' of a local radio station can only become a more important way for it to distinguish its product from competitors in the future Digital Britain. In the past, a listener in a local market would have no choice other than broadcast radio to hear a selection of a dozen songs in an hour. Now, in a connected world, that same selection of songs can be generated from a computerised playout system located anywhere in the world, and can be delivered via the internet to a computer, a mobile phone or an internet radio. No longer is a particular selection of musical works a sufficiently unique piece of content that can only be delivered by a broadcast radio station in a listener's local market. Increasingly, therefore, it must be the content **between** the songs that works to differentiate one radio station from another in a crowded marketplace.

However, whilst some elements of the commercial radio sector can be criticised for not seeming to foresee that 'localness' will be the only USP their

local radio stations will be left with in the connected world, the regulator can similarly be criticised for not putting the citizen/consumer at the centre of its 'localness' policy, with a number of stakeholders believing that the regulator has opted to simply regulate via a complaints mechanism. This can be observed in the regulator's localness consultations, where it initially appeared to make all the right noises, suggesting that "the emphasis of regulation needed to move away from box-ticking measurement of inputs towards what audiences actually get to hear".[90] It emphasised the regulatory need to "ensure the range and quality of [radio] services [that citizens and consumers] expect, including local programming".[91] However, the resulting localness framework remained remarkably close to both the 'box-ticking' and the measurement of 'inputs' it had said it wanted to avoid. Stakeholders remain unclear whether a new, more effective system to measure 'localness' was rejected by Ofcom due to its impracticality and/or cost, or whether the route eventually chosen had always been the regulator's preferred direction.

The present Ofcom system implements local content rules differently dependent upon the size of the local station's coverage area, and whether it broadcasts on FM or AM:

Figure 43: current Ofcom regulation of local content on local analogue commercial stations[92]

LOCAL FM STATIONS SERVING >250,000 ADULTS	LOCAL FM STATIONS SERVING <250,000 ADULTS
10 hours minimum of local programming per day weekday daytime (including breakfast)	4 hours minimum of local programming per day (including breakfast on weekdays)
4 hours minimum of local programming per day weekend daytimes	up to 6 hours of regionally networked programming per day weekday daytimes
	up to 10 hours of regionally networked programming per day weekend daytimes
local news throughout peak times on weekdays (breakfast and drivetime shows) and weekends (late breakfast)	
outside peak times, news can be non-local	
LOCAL AM STATIONS	
4 hours minimum of local programming per day during daytime	
up to 6 hours of programming produced within 'the nation where the station is based' per day during	
local news throughout peak times on weekdays (breakfast and drivetime shows) and weekends (late breakfast)	
outside peak times, news can be non-local	
NOTES	
daytime = 0600 to 1900 weekdays and weekends	
population = as defined by each station's Measured Coverage Area	
an AM station where at least half the population within its area is not also covered by a local FM commercial station will have the FM localness rules applied	

[source: Ofcom]

The most obvious flaw within this regulatory system is that it measures the 'inputs' of a local station's production system, rather than the 'outputs' that are heard by listeners to a station. The Ofcom requirement that a station

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[90] Ofcom. Radio – Preparing For The Future: Phase 1, 16 December 2004, p.2.
[91] Ofcom. Radio – Preparing For The Future: Phase 1, 16 December 2004, p.12.
[92] Ofcom.

produces locally-made programming successfully ensures that a presenter sits in a local radio station's studio and produces a show for broadcast (or, in some cases, a show can be produced outside of the area provided it is directed specifically to that region). However, there is no guarantee that a presenter will include content within their show that has any local connection. For example, a presenter could address the audience with stories read from the national newspapers, or information that had been found online, or could chat about the previous night's popular television programmes. Put simply, a regulatory system that ensures local inputs is no guarantee that a station will produce local outputs.

This point has been made repeatedly to Ofcom by RadioCentre, the commercial radio trade body, within the regulator's consultation process on localness. It argued that Ofcom's proposals on 'localness' "perpetuate a link between local material and locally-produced programming, and thus continue to focus inappropriately on 'inputs' rather than 'outputs'".[93] RadioCentre pointed out that Ofcom's consultation document "explores issues (over 15 pages) pertaining almost exclusively to where and how programmes are made, rather than the material they contain".[94] The trade body asserted:

> "[Ofcom] proposes to retain a standard approach which seeks to secure a certain number of hours of locally-made material, rather than focusing on what matters most to listeners: local material. In our view, this is not required of Ofcom by the legislation, nor is it the right approach for the listener".[95]

RadioCentre then went further and suggested that the whole issue of localness should be left to the discretion of local commercial radio stations:

> "The views of those involved in running Commercial Radio are not the same as Ofcom's and can be summarised as being that local programming, if left to the market, would indeed be ubiquitous, but it would not be uniform. There would be a normal process of experimentation which would in time lead to the market serving its listeners with localness in a manner which suits them".[96]

However, there does appear to be some degree of resonance between RadioCentre's objective to put the listener at the centre of the localness regulatory process, and the duty of Ofcom, as mandated by Parliament, "to

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[93] RadioCentre. Shaping Commercial Radio's Future, 29 June 2007, p.30, para.6.3.
[94] RadioCentre. Shaping Commercial Radio's Future, 29 June 2007, p.31, para.6.7.
[95] RadioCentre. Shaping Commercial Radio's Future, 29 June 2007, p.34, para.6.25.
[96] RadioCentre. Shaping Commercial Radio's Future, 29 June 2007, p.33, para.6.23.

further the interests of the citizen and the consumer".[97] The solution is to find a way of regulating localness in local commercial radio that:

- Does not resort to regulatory 'box-ticking'
- Does not merely measure 'inputs' to the radio production process
- Allows commercial radio owners to implement localness in different ways at different stations, according to the needs within a particular market
- Places more emphasis on the needs of the citizen/consumer.

Recommendations for regulating localness

It would be easy to propose that local commercial radio stations should be offered complete freedom to implement localness within their output as and how they feel appropriate, and to suggest that the regulator should accept a station owner's particular implementation of 'localness' as appropriate for that market. However, it is my view that a laissez-faire strategy such as this would ignore several pertinent issues.

Firstly, local commercial radio stations utilise scarce radio spectrum on which they transmit their programmes. In any one local market, there is a physical limitation to the total number of radio stations that can be accommodated within the AM and FM radio spectrum. This is why Ofcom has to choose between a number of competing applicants when it awards a new local radio licence – there is simply not the capacity for each and every applicant to be awarded a licence. At present, local commercial radio licensees do not pay a market price for the spectrum that they use. The quid pro quo for a local station's use of scarce radio spectrum is that it has a public responsibility to provide content of use to the population within its market. The most extreme example of this is the participation of each local station in the government's emergency broadcast system in times of disaster, when its broadcasts would be used to communicate urgent news updates.

Secondly, The Communications Act 2003 requires Ofcom to determine the extent to which local radio stations must broadcast 'local material' and 'locally-made' content, and to "draw up guidance". The key phrase here is that Ofcom's guidance "may be different" for different types of local stations.[98] Until now, Ofcom has chosen to implement its localness policies according to two station characteristics: the size of the station's coverage area, and whether the station broadcasts on the FM or AM waveband. Whilst such distinctions might not necessarily prove to be the most effective way to

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[97] Ed Richards. Ofcom Annual Lecture: Citizens And Consumer In A Converged World, 16 October 2007.
[98] HMSO. Communications Act 2003 (c.21), section 314:1-5.

implement its localness rules, it is impossible for Ofcom to abrogate its responsibility in this area of regulation.

Thirdly, local radio is likely to become an even more significant source of local information in Digital Britain than it already is today. The closure or reduction in coverage of increasing numbers of local newspapers, combined with regulatory changes that are relieving commercial television from much of its local news obligations, will narrow the focus to local radio to deliver local content. In many ways, I believe local radio is a much stronger competitor to the rising influence of the internet than either newspapers or television in the delivery of local content and, in fact, may very well be the only true 'local medium' of the future. Radio's relatively cheap production costs, its ability to improvise content with a constantly updated flow of information, and its portability make it a much more formidable opponent. When an unexpected event happens, people continue to turn to radio first for information and interpretation. If that event is local, people turn to local radio.

The importance of news provision in local radio cannot be underestimated. Whereas usage of the internet for finding news skews more towards younger demographics, and usage of newspapers increasingly skews towards older demographics, usage of radio as a news source remains remarkably even across all age groups.

Figure 44: platforms used for news, by age group (%)[99]

medium	16-24	25-55	45-64	65+	Total
terrestrial television	80	87	94	97	90
newspapers	61	65	71	71	67
radio	44	51	59	51	52
news TV channels	25	40	39	28	36
internet	35	39	23	5	27

[source: Ofcom]

Research has demonstrated that the use of radio as a source for specifically local news exhibits little regional variation across the UK, and that the radio medium is only surpassed as a local news source by television and newspapers. Radio might even make gains if it increasingly becomes the 'last man standing' for local news provision in many parts of the UK. This emphasises the need to continue to ensure that there is adequate provision of local news within any revised localness framework, to forge more active partnerships with other local media, and to address rules on cross-media ownership. Whilst many stations currently deliver credible and valued local news bulletins to their communities, rules defining 'local' news within a local news bulletin and the minimum number of bulletins broadcast per day should

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[99] Ofcom. New News, Future News – Research and Evidence Base, 26 June 2007, p.30, Figure A1.16.

be addressed and, in the latter case, sometimes increased in order to protect the interests of the consumer.

Figure 45: local news sources used regularly (%)[100]

medium	England	Scotland	Wales	N. Ireland	total
local free newspapers	37	68	52	59	46
television programmes	47	20	50	45	45
local paid-for newspapers	49	32	32	10	41
radio	28	31	23	34	28
word of mouth	20	23	23	37	21
national newspapers	9	10	5	7	9
internet	8	5	5	7	8

[source: Ofcom]

To date, Ofcom's regulation of 'localness' has placed emphasis more on the requirement within the Communications Act 2003 for a local radio station to produce "locally made" content than on the similar requirement for it to broadcast "programmes consisting of or including local material".[101] In the area of local news, these two obligations represent a subtle but significant difference between the place where a station's news bulletin is produced and the degree of local content within that news bulletin. For the consumer, the content must hold more importance than the location of its production, a fact that the regulator needs to reflect by shifting its efforts to ensure 'localness' away from 'location' and towards 'content'.

Another contentious aspect of the present Ofcom localness regulatory scheme is the somewhat arbitrary distinction between local stations serving populations under 250,000 adults and those serving more. Although small local stations generally undoubtedly face greater economic challenges than larger stations, the revenue and profitability research explored earlier demonstrated clearly that a more significant difference exists between those local commercial stations that were first and covered large areas of the local population, and those that followed later. The advantage of having been a 'first mover with a large footprint', or one of those stations lucky enough still to have no other local commercial radio competitor in their area, endows a broadcaster with a much stronger ability to attract audiences and to generate revenues.

Bearing in mind these issues, and the woeful profitability of those commercial radio stations serving coverage areas with populations less than 700,000 adults, it seems appropriate to propose the introduction of a new system of 'categories' to be applied to the existing local radio landscape. This would provide much needed clarity not only to station owners themselves but, more importantly, to advertisers and listeners who presently find the current

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[100] Ofcom. New News, Future News – Research and Evidence Base, 26 June 2007, pp.58 & 64, Figures A1.34 & A1.42.
[101] HMSO. Communications Act 2003 (c.21), section 314:1.

system of commercial radio provision overly complex and somewhat baffling. I therefore propose the following categories of radio station:

CATEGORY 'A' RADIO STATIONS

Category 'A' is applied to community radio stations, of which there are currently 131, with a further 51 licensed but not yet launched. By the end of 2010 it is likely that there will be more than 250 community radio stations across the UK. These not-for-profit radio stations cover small geographical areas and, according to Ofcom, each typically provides 81 hours per week of original content, most of which is locally produced.[102] Community stations are regulated separately from commercial radio, under the terms of the Community Radio Order 2004, and were first licensed by Ofcom in 2005.

CATEGORY 'B' RADIO STATIONS

Category 'B' is applied to local commercial radio stations that serve a Measured Coverage Area of 700,000 adults or less. A common characteristic of these stations (although not exclusively) is that they were, in the main, not amongst the first tranche of local commercial stations which had been granted a regulated monopoly in their local market.

CATEGORY 'C' RADIO STATIONS

Category 'C' is applied specifically to 'large' FM local commercial radio stations serving Measured Coverage Areas of more than 700,000 adults, most of which are profitable and sustainable for their owners.

CATEGORY 'D' RADIO STATIONS

Category 'D' is applied specifically to the 'regional' FM stations that have been launched since 1994 and which each cover several cities and towns. Regional stations were intended to extend the choice of content available to consumers from the commercial radio sector, and to provide increased competition with BBC national stations for listeners. There are currently 20 stations within this category, serving populations of between 874,000 and 4.2 million adults. This category also includes local AM stations (of which there are 57 on-air), provided their service is simulcast on DAB and is available to at least 65% of the UK population (if not, they would fall within Categories 'B' or 'C' respectively).

CATEGORY 'E' RADIO STATIONS

Category 'E' is applied to the three national commercial radio stations which were launched in 1992, 1993 and 1995. The licence award system for national stations is prescribed by legislation that is distinct from that which regulates

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[102] Ofcom. Communities are the radio stars, press release, 9 March 2009.

local commercial radio stations. Obviously, national stations have no requirement to include local content within their output.

Appendix One to this report gives an indication as to which specific commercial radio stations would be included in each of these categories.

It is proposed that a different set of rules will attach to each category of station regarding the localness content required and how that localness will be regulated.

CATEGORY 'A' RADIO STATIONS
- Continue to be regulated under the terms of the Community Radio Order, amended as per Recommendation 13, with requirements to produce and evidence social gain

CATEGORY 'B' RADIO STATIONS
- No requirement for a minimum number of locally-made broadcast hours
- Local content to be ensured by implementation of a 'Local Impact Test' (detailed explanation follows)
- Co-location rules relaxed (see next section)
- Minimum 12 hours per day of local news bulletins (at least hourly) during weekday daytimes
- Minimum 4 hours per day of local news bulletins (at least hourly) during weekend daytimes
- A requirement within a station's revised 'Format' to provide local content that specifically satisfies the tastes and interests of the population within the station's coverage area
- A requirement within a station's revised 'Format' to provide local travel, local weather and local events information at intervals and at times that satisfy the needs of the population within the station's coverage area

CATEGORY 'C' RADIO STATIONS
- Minimum 7 hours per day locally-made content during weekday daytimes (including breakfast)
- Minimum 4 hours per day locally-made content during weekend daytimes (including late breakfast)
- Minimum 12 hours per day of local news bulletins (at least hourly) during weekday daytimes
- Minimum 4 hours per day of local news bulletins (at least hourly) during weekend daytimes

CATEGORY 'D' RADIO STATIONS

- Other than news, all localness and location restrictions to be rescinded (if a regional station brand and output is broadcast on DAB to more than 65% of the UK population), otherwise Category 'C' content rules apply. Stations must also commit to covering the UK on DAB by 2015, subject to suitable re-planning of the multiplexes. Local and regional news bulletins must be aired hourly during daytime, for 12 hours per day on weekdays, and for 4 hours per day at weekends.

- 'Grandfather' status point: where a regional radio brand has broadcasted on a local FM station for at least two years then, provided there are sufficient other local commercial radio stations in that local market to protect the rights of the consumer, the local FM station can be uplifted to Category 'D' under a single licence, subject to Ofcom approval. This is intended quite specifically to enable existing local stations – Galaxy in Manchester, Galaxy in Birmingham, Smooth in Glasgow, and qualifying London stations – that are already part of a regional network brand to consolidate their output. Any other request to uplift a local FM licence to a regional brand with Category 'D' status must continue to have the prior approval of the regulator.

- All AM services can become quasi-national services, provided their output is broadcast to at least 65% of the UK population on DAB and they commit to covering the UK on DAB by 2015, subject to suitable re-planning of the multiplexes, availability and Ofcom approval.

AMALGAMATION OF CO-OWNED LOCAL LICENCES

- Where the Measured Coverage Areas of two or more Category 'B' local stations are contiguous or overlap, licensees should be encouraged to apply to Ofcom to merge them into a single licence. If the Measured Coverage Area of the merged licence is sufficiently large to exceed the Category 'B' threshold, it will subsequently be re-classified as a Category 'C' station and will be subject to that regulatory regime.

The present regulatory system for 'localness' appears to depend heavily on complaints submitted to Ofcom, rather than upon the acquisition of market intelligence regarding local radio stations' output within their markets. This seems a strange way in which to regulate the local output of a significant number of radio stations, and I believe Ofcom has to do more to protect the consumer by exploring a more effective route that places the consumer at the heart of its objectives. To fail to do so might be seen as a dereliction of the regulator's basic duties and obligations as prescribed by legislation:

- "to further the interests of citizens in relation to communications matters"
- "to further the interests of citizens in relevant markets"
- to have regard to "the opinions of consumers in relevant markets....."
- to have regard to "the interests of those consumers in respect of choice, price, quality of service and value for money".[103]

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[103] Communications Act 2003, Part 1, para.1.

4(f).   THE REGULATION OF CO-LOCATION OF LOCAL RADIO STATIONS

Background

'Co-location' normally takes place when one local station relocates into another co-owned station's premises which are outside of the first station's coverage area. In this way, the owner can save the cost of maintaining two parallel offices for two separate stations in different locations.

Initially, co-location was only approved by the regulator in exceptional circumstances, for example when a station's operating losses meant it would face imminent closure if it did not reduce its costs. Often, the regulator would approve a temporary co-location request for a pair of stations, but would require the owner to submit a further request once the temporary approval expired.

More recently, Ofcom has relaxed the circumstances under which it is prepared to approve co-location requests, extending the invitation to all stations serving coverage areas of fewer than 250,000 adults. As a result, a greater number of co-location requests were submitted to the regulator in 2008 than in all previous years combined. Ofcom continues to consider requests on a case-by-case basis, but the majority are approved without need of a public consultation. Requests for co-location of stations serving populations of greater than 250,000 adults are only considered by Ofcom in exceptional circumstances.

The effect of co-location can be most beneficial for smaller radio groups that can now 'cluster' several stations serving different areas in a single location. For example, The Local Radio Company was granted Ofcom approval in February 2009 to re-locate Stray FM Harrogate and Yorkshire Coast Radio, licensed individually in Bridlington and Scarborough, at the studios of Minster FM in York. The economic benefits for small radio groups now reflect the benefits already accrued to larger, consolidated groups that have acquired several stations in one local market and are similarly running them from a single set of premises.

The Present

It is acknowledged that there is a great deal of emotion tied to the notion that the studios of a local radio station should be located within that station's service area. Ofcom market research demonstrated the support amongst the public for this idea, with 71% of respondents stating that it was important or

very important that a local radio station is based in or near the area its listeners live.[104]

Figure 46: 'How important is it to you that a local radio station is based in or near to the area its listeners live?' (%)[105]
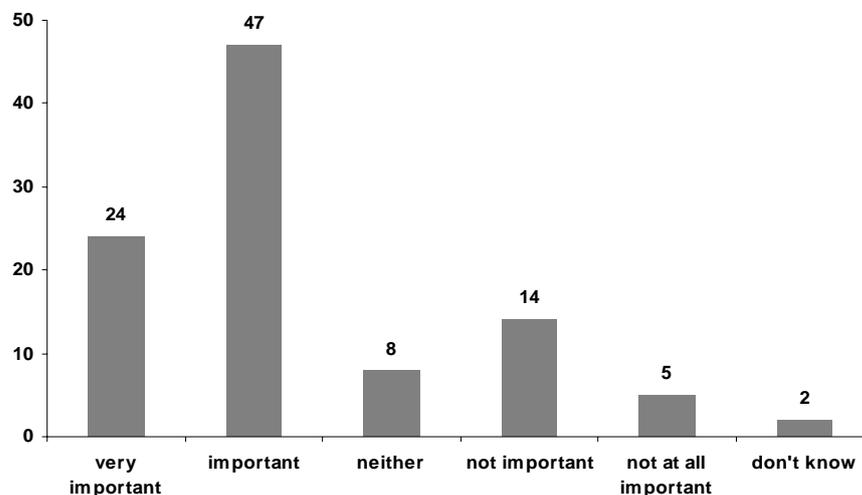
[source: Ofcom]

Despite the results from this research, the reality is that there is no reliable evidence to support the belief that a station's location has any detrimental affect on the delivery of localness to its audience. Its location is merely another 'input' to its production system that can have little bearing on the 'outputs' broadcast to listeners. Amongst the wider stakeholder group, there exists a fear of loss of locality when, in reality, the world is changing so quickly that many local media are increasingly utilising global resources to compete effectively in Digital Britain. For example, a year ago, newspaper group Newsquest started to outsource 'pre-press' work to India for its local papers published in Sussex and Wiltshire.[106] The economic difficulties facing many small, local commercial radio stations are so substantial that it must be preferable to offer flexibility that could ensure the future survival of those businesses, rather than to remain inflexible and run a very real risk of depriving local citizens altogether of a local radio station for their area.

A recent survey by RadioCentre of its members, commissioned specifically for this report, found that 21% of local commercial stations are presently co-located with other stations. Amongst those stations that are not currently co-located, 45% said they would consider co-location, whilst 44% said they would not (the remaining 11% said 'maybe'). Of the 120 stations with coverage areas under 700,000 adults that were not co-located, 53% said they would consider re-location, but 79% of those considering such a move said they would remain

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[104] Ofcom. Radio – Preparing For The Future, Appendix B: Results of audience research, [undated], Figure 14.

[105] Ofcom. Radio – Preparing For The Future, Appendix B: Results of audience research, [undated], Figure 14.

[106] Toby Chasseaud. Newsquest Moves Prepress Jobs To India, The Guardian, 25 April 2008.

within touching distance to ensure that they could still react to key local news developments within a reasonable timeframe, and still provide a local sales service to their clients.[107]

In discussions with commercial radio's stakeholders for this report, I have found no demand to relocate local stations to a single, centralised UK location. All that is being requested is greater flexibility from the regulator to enable smaller local stations to move to shared premises within an enlarged region, in order to make such businesses sustainable and, as stated previously, there is no evidence of any resulting loss of audience. This could avoid the imminent danger, particularly for the smaller radio groups, that an increasing proportion of their local station portfolios are likely to generate operating losses, potentially threatening the viability of their entire group.

An example of the economic pressures that can threaten a station's existence was offered by the request from radio group UKRD to Ofcom in 2005 to re-locate its Stroud station to Cheltenham, 13 miles away. Its proposal included revenue and profitability data showing that the Stroud station, which served a coverage area of only 52,000 adults, had accrued losses of more than £1m since its launch in 1998. UKRD argued to Ofcom that "given that the performance has been consistent across the licence period to date …. profitability is likely to remain elusive under the current cost base".[108]

Figure 47: cumulative operating loss of Star FM Stroud (£)[109]
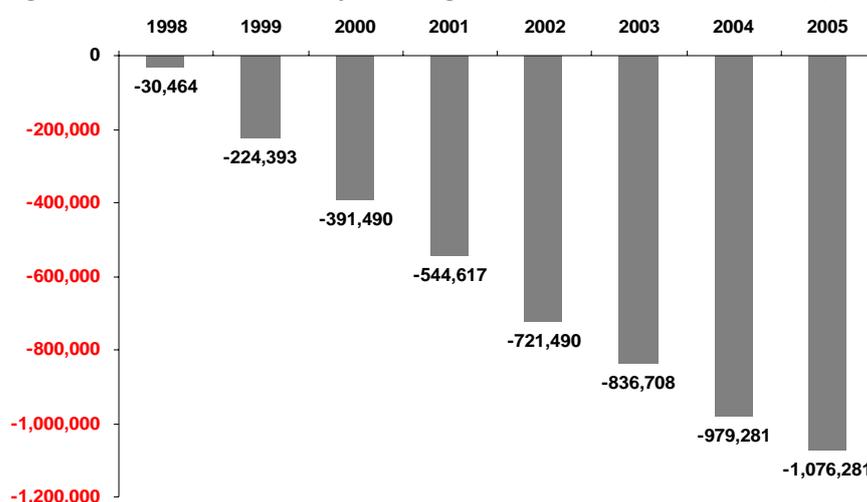
[source: UKRD]

On this occasion, Ofcom approved UKRD's co-location request, but denied a related request for the Stroud station to share programming with the Cheltenham station. The following year, UKRD finally decided to close the

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[107] [confidential source]
[108] UKRD Group Limited. A Request To Vary The Stroud Licence, October 2005, p.3.
[109] UKRD Group Limited. A Request To Vary The Stroud Licence, October 2005, p.3.

Stroud station, and UKRD chief executive William Rogers commented that "constantly pumping money" into a loss-making station was preventing the group from investing in programming elsewhere. He said: "We must make sure that we are not depriving other stations of investment they need just because we have to fund losses".[110]

Star FM in Stroud became the first local commercial station to close in almost a decade but, since then, five further local licences have been returned by their owners to Ofcom. This worsening situation demonstrates that although, in an ideal world, it should be possible for the citizens of towns such as Stroud, Barrow, Livingston and Wisbech to have their own dedicated local commercial radio stations, the economic reality is that those markets are either too small or too competitive (or both) to support such small-scale, local media businesses.

Now that both total listening to commercial radio and sector revenues are in decline (as demonstrated earlier), the danger has never been greater that the current trickle of local commercial radio station closures could transform itself into a deluge, unless preventative action is taken urgently. The profitability of the entire commercial radio sector has been reduced to such an extent during the last few years that pro-active regulatory policies which can assist station owners to reduce their cost base must now be considered imperative, simply to ensure the industry's survival.

This is not to advocate that local radio should be 'de-localised' as a means simply to allow sector costs to be cut. Rather, a compromise is required that continues to focus on the benefit that accrues from providing citizens in a location with a local commercial radio service, rather than no service, even if that service is only made economically possible by co-locating its studios elsewhere. The Ofcom research cited previously found that respondents were keen for their local radio station to be located "in or near" the area it served. The issue here is what is defined as 'near', and I believe that the Local Impact Test would protect the 'localness' of the output, while relocation requests should be extended in order that the sector can reduce costs while retaining a measure of acceptability on output.

Recommendations for regulating co-location

I propose that the regulatory regime should provide greater flexibility to allow small stations, in particular, to save costs by relocating within their regions. The rules would be applied in this way to each category of stations:

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[110] Paul McNally. UKRD chief predicts 30 radio stations will close, The Radio Magazine, 18 July 2008.

CATEGORY 'A' RADIO STATIONS

No change. Community radio stations remain located within their communities.

CATEGORY 'B' RADIO STATIONS

Those commercial stations which make up this category should be allowed to apply to Ofcom for re-location, as at present, but that re-location is re-defined as within the existing BBC television region in which the station is presently located (see below).

Figure 48: BBC television regions
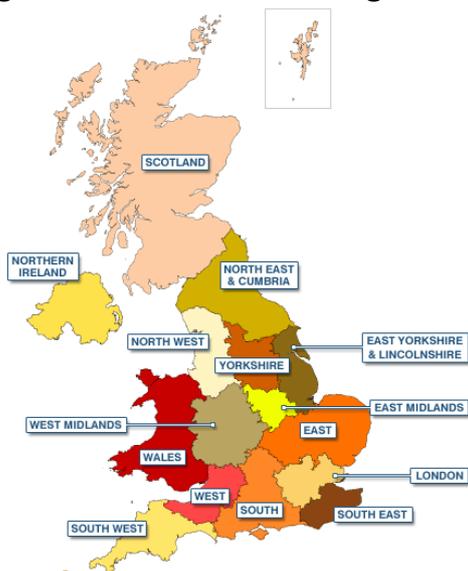
[source: BBC]

Some of the regions may have to be split; for example between North East England and Cumbria. Stations within Scotland, Wales and Northern Ireland should be permitted to apply for re-location anywhere within their respective nations. Ofcom should continue to retain the right to refuse a request for co-location outside of these parameters.[111]

CATEGORY 'C' RADIO STATIONS

No change. Stations within this category, under a single licence, should remain located within their coverage area. These local commercial stations benefit economically from their status either as 'heritage' services or by having large coverage areas. As such, they are expected to maintain a specifically 'local' service for their audiences.

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[111] Ofcom should additionally consider whether the 'North East & Cumbria' and 'East' regions might each require sub-division into two constituent parts for the purpose of re-location requests.

CATEGORY 'D' RADIO STATIONS

The regional commercial radio stations that comprise this category were licensed to provide specialist content that would not prove economical to supply at the local market level. As a result, each of these regional stations already serves several cities or large towns across a wide area. There would seem little reason to require these stations to continue to be based within their coverage areas. Therefore, I recommend that Category 'D' stations be allowed to apply to Ofcom to be located anywhere in the UK.

CATEGORY 'E' RADIO STATIONS

No change. The national commercial radio stations that comprise this category can continue to be located anywhere in the UK.

These recommendations are proposed as a compromise between keeping stations on the air through granting increased flexibility in location, and the aim of the regulator to ensure that citizens derive public benefit from local commercial radio. The recognised 15 BBC television regions offer sensibly enlarged areas in which station owners can explore co-location, not only within their own group, but potentially by sharing premises with competing groups. I recognise that, once a station is located outside of its transmission area, it could become a moot point as to its precise location within the UK. However, if a sensible system of local output measurement were to be implemented, I remain convinced that removing a local presence (in this case, within a large regional area) would not produce a negative outcome.

For Category 'B' stations, the simultaneous introduction of the Local Impact Test provides a much more effective regulatory means to maintain 'localness' within the output of a local commercial radio station, and the station's impact on the population within its coverage area, than does the specific location of its studios. The Local Impact Test should become a more responsible and effective tool to preserve the interests of the consumer, and it will give pause for thought to any station owner who wishes to run a local radio service without delivering local value.

The proposal for a new methodology of approving co-location for stations within Category 'B' will provide the commercial radio industry with an opportunity to demonstrate the effectiveness of adopting a considerably more flexible approach to radio regulation. The sector should co-operate with Ofcom to make the revised rules work productively, before it considers applying for further relaxation of the co-location criteria.

4(g).   THE 'LOCAL IMPACT TEST'

Background

Localness has been the central feature of the UK local commercial radio system since its inception in 1973. Local stations comprise 302 of the total 305 analogue commercial radio stations presently in operation in the UK, and local radio accounts for 75% of total hours listened to commercial radio.[112] The commercial radio landscape has always been so steeped in localness that, for a long time, legislation did not even mandate licensees to include specific local elements within their broadcast services. In the sector's early history, when each local commercial radio station was separately owned, such requirements would have been considered redundant. A local commercial radio station had to be local, by default.

Although consolidation of the commercial radio sector started in a small way during the early 1980s, the regulator remained largely disinterested in measuring the degree of 'localness' within a local station's output. Without any legislative requirement to assess a station's 'localness', the regulator simply issued local licences and expected each station to comply with the programming promises it had made in its licence application. The regulator did respond to individual complaints from the public about specific elements of programming that were thought to have breached rules regarding content, but it did not initiate its own monitoring of radio station output for 'localness'.

When a local commercial radio licence was due for renewal, the regulator conducted a limited amount of investigation into whether the licensee had fulfilled its promised output during the course of the previous licence period. Even in a renewal situation where a local station was found not to have fulfilled its required local programming obligations for a significant period of time, the regulator considered that such breaches "should not be considered by [the regulator] in the context of this licence award, as they do not form part of the station's proposals for the new licence period".[113]

In these ways, the 'localness' of local radio was largely presumed by the regulator to exist, without the need for evidential data to necessarily support this belief.

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[112] Ofcom & RAJAR Q4 2008.
[113] Radio Authority. Paper 52(03), 4 September 2003.

The Present

It was not until a specific requirement for local commercial radio stations to broadcast local content was added to commercial radio legislation by the Communications Act 2003 that the regulator was given an explicit responsibility to ensure that local content was being broadcast by its licensees on an ongoing basis. This was virgin territory for the regulator, which suddenly realised that stations "will need to demonstrate the same sort of compliance with regard to local issues, which must involve a formal onus on them to deliver".[114]

I understand that regulatory staff were initially "taken aback to see the extensive detail in the new clause 301 of the Communications Bill regarding local content and the character of local sound broadcasting services".[115] Nevertheless, they opted to retain what they believed was a 'light touch' regulatory system for local content which "would indicate that Ofcom does not wish to regulate beyond the promises that licensees made when accepting licences".[116] The thinking was therefore to suggest that "Ofcom should approach this task by drawing up detailed and careful [localness] Codes, in consultation with the industry and other interested parties, but on the basis that stations will largely self-police".[117]

However, the notion that the regulator and the commercial radio industry could co-operate to ensure that 'localness' was delivered did not last very long. In 2006, Ofcom initiated a more pro-active regulatory system to ensure that local stations complied with their local content requirements. The regulator stated that it "now ensures that an individual station is meeting its Format requirements by listening to that station's output", a process it called 'content sampling'.[118] It explained that "the sampling of a particular station may be prompted by a complaint concerning a Format-related issue, or may be entirely routine".[119] However, the number of stations subject to this sampling process has remained small, compared to the total 302 local commercial stations in existence, which suggests that the entire system is complaint dependent.

Figure 49: number of local radio stations subject to Ofcom 'content sampling'[120]

2004	2005	2006	2007	2008	2009
0	0	7	18	8	2

[114] The Radio Authority. Commercial Radio Content Compliance Under Ofcom, Paper AARAP 47, 30 June 2003.
[115] The Radio Authority. Paper 83(02), 31 October 2002.
[116] The Radio Authority. Commercial Radio Content Compliance Under Ofcom, Paper AARAP 47, 30 June 2003.
[117] The Radio Authority. Paper 83(02), 31 October 2002.
[118] Ofcom. Radio Broadcast Update, February 2009.
[119] Ofcom. Radio Broadcast Update, February 2009.
[120] Ofcom. Content Sampling Reports, [undated], online at http://www.ofcom.org.uk/radio/ifi/contentsampling/

In its statement accompanying the introduction of 'content sampling', the regulator explained:

> "Ofcom is moving toward output regulation and away from input regulation following consultation involving the industry. Content sampling and the scrutiny of the Public File form a mainstay of this policy. Ofcom will carry out both 'spot' and planned monitoring of output and the Public File. Ofcom has given consideration to the way in which broadcast output should be regulated and this, naturally, will be through direct sampling of station broadcasts".[121]

Although this shift from 'input' regulation towards 'output' regulation was a change that had long been lobbied for by the radio industry, the move effectively now established Ofcom as both the judge and jury of whether the output of local stations comprised sufficient 'localness'. This powerful role was acknowledged by the regulator:

> "Given the different nature of individual Formats, there is no one template against which to judge stations' performance. …. The Localness Guidelines, as set out in the Radio Review Phase II, will be the backdrop against which [Ofcom] monitors will judge output, if satisfactory localness levels are not otherwise obviously apparent".[122]

Ofcom explained the mechanics of this revised regulatory system thus:

> "In the event that the sampling reveals a problem, Ofcom will take whatever course of action is most appropriate. In some circumstances, a brief dialogue with the station may be all that is required. It might mean the issuing of a 'Yellow Card', which will only be lifted when matters have been put right. This allows a licensee to understand the problems that have been identified and seek clarification if necessary. It is not a sanction itself, but an attempt to put things right before more formal actions are taken. If problems are not rectified swiftly, or are sufficiently serious in their own right, Ofcom, or Ofcom's Radio Licensing Committee, will then make the decision as to what (if any) further action should be taken against the station. This may involve a fine or other sanctions."[123]

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[121] Ofcom. Radio – Preparing for the Future (Phase 2), 15 February 2006, p.10, paras.4.1-4.3
[122] Ofcom. Radio – Preparing for the Future (Phase 2), 15 February 2006, p.11, paras.4.5 & 4.7.
[123] Ofcom. Content Sampling Reports, [undated], online at http://www.ofcom.org.uk/radio/ifi/contentsampling/

However, Ofcom's 'content sampling' operation to date has resulted in the issue of only nine Yellow Cards, one acknowledged breach of Licence conditions, no fines and no other sanctions (such as shortening the Licence period). This has demonstrated unequivocally that the vast majority of the local commercial radio sector continues to put 'localness' at the heart of its operations, and continues to comply with the terms of its licences.

Figure 50: Ofcom Content Sampling Reports and outcomes[124]

date	station	market	result
21 April 2006	Touch FM	Coventry	Yellow Card
10 May 2006	Passion 107.9	Oxford	OK
25 July 2006	3TR FM	Warminster	OK
26 July 2006	Cool FM	Belfast	OK
16 August 2006	Reading FM	Reading	OK
16 August 2006	Star Radio	Bristol	Yellow Card
15 September 2006	Time 107.3	Lewisham	Yellow Card
30 January 2007	Xfm	Manchester	OK
19 March 2007	Original 106	Solent	OK
08 October 2007	Original 106	Solent	Yellow Card
26 March 2007	Q102.9	Londonderry	OK
08 May 2007	Century FM	Northwest England	OK
04 June 2007	Isle of Wight Radio	Isle of Wight	OK
22 June 2007	Dream 107.7	Chelmsford	OK
25 July 2007	Rock Radio	Paisley	OK
26 July 2007	Mix 107	High Wycombe	Yellow Card
30 November 2007	Mix 107	High Wycombe	OK (Yellow Card lifted)
31 July 2007	The Revolution	Oldham	OK
31 August 2007	South London Radio	Lewisham	OK (Yellow Card lifted)
31 August 2007	Palm FM	Torbay	OK
28 September 2007	U105	Belfast	OK
31 October 2007	Choice FM	North London	OK
30 November 2007	The Bee	Blackburn	OK
30 November 2007	Ocean FM	South Hampshire	Yellow Card
21 December 2007	Heart 106	East Midlands	OK
01 January 2008	Ocean FM	South Hampshire	Breach of Part 1 of Annex to Licence
31 January 2008	Seansea Bay Radio	Swansea	OK
31 January 2008	Forth One	Edinburgh	OK
29 February 2008	Original 106	Solent	OK (Yellow Card lifted)
31 March 2008	Gold	Plymouth	OK
12 September 2008	Ocean FM	South Hampshire	OK (Yellow Card lifted)
16 December 2008	Bath FM	Bath	Yellow Card
16 December 2008	Brunel FM	Swindon	Yellow Card
22 January 2009	Glaxy 102.2	Birmingham	OK
13 March 2009	GWR FM	Bristol & Bath	Yellow Card

[source: Ofcom]

The Ofcom content sampling system has been in operation for three years, but has touched only a tiny fraction of the local commercial radio landscape. Because of the large number of commercial radio stations licensed, and the detail with which the content sampling is executed by the regulator, a considerable amount of administrative resource would seem to be dedicated to a task that might look very much like 'painting the Forth Bridge'. Many stakeholders in the commercial radio sector question whether there might not

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[124] Ofcom. Content Sampling Reports, [undated], online at http://www.ofcom.org.uk/radio/ifi/contentsampling/

be a more productive way to regulate 'localness' in local radio stations, involving a more co-operative way of working with licensees.

Recommendations for regulating localness

Ofcom has set out very clearly its determination that local commercial radio retains the 'localness' that has been its trademark since its launch 36 years ago and which has contributed enormously to the medium's success. Chief Executive Ed Richards restated the regulator's viewpoint within his 2007 Ofcom lecture:

> "Some have called for a huge relaxation of regulation in relation to localness [in local commercial radio], some in the industry even call for a complete removal of all regulation. They believe that localness is either no longer valued or that it's value is significantly outweighed by its cost. The problem is that the evidence is to the contrary. What our research tells us is that people continue to want to hear local programming. They want to hear that programming and know that the presenter they are listening to drives down the road they drive down. And, as citizens, when there are nationwide floods or major local incidents such as the attempted bombing of Glasgow Airport, we want to know that reliable and trustworthy local news and information is available on our commercial radio stations - as indeed it was in both these circumstances. But we are not convinced that the market alone will deliver this, if left to its own devices. We recognise very clearly the significant economic challenges faced by the radio sector, but our forthcoming proposals will not involve eliminating the obligation to deliver local programming or its reduction to a negligible level".[125]

Whilst I have not found evidence that a complete removal of regulation was, or is, demanded, or indeed that 'localness' is not valued, I do concur with the sentiments concerning the importance of local content to citizens. RadioCentre, the commercial radio trade body, criticised Ofcom for implementing "a system which stipulates the number of hours of locally-made programming to be produced according to station size [which] alone fails to recognise the differing influences on stations' relative importance and viability ...."[126] In a strongly worded letter addressed to Ofcom, the RadioCentre Board reiterated that "stations will choose [an amount of local output that] is best for their listeners because, in the commercial world, delivering audiences is

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[125] Ed Richards, Ofcom Annual Lecture: "Citizens And Consumer In A Converged World", 16 October 2007.
[126] RadioCentre, "Shaping Commercial Radio's Future", 29 June 2007, p.36, para.6.35.

paramount".[127] The letter noted that the issue of localness would have a "defining impact on the health and prosperity of Commercial Radio for the next few years".[128]

It appears that both sides recognise the principle that the citizen/consumer/listener should be placed at the heart of any judgement as to whether a local radio station is providing sufficient local content. It also appears that both sides acknowledge that there are bound to be considerable differences in the demand for local content from local commercial radio stations in different parts of the UK. Therefore, a 'one size fits all' solution is unlikely to prove a productive solution to the issue.

It is evident that many radio stations already carry out their own regular market research exercises to determine how well they are fulfilling the demands of their audiences. This research creates a feedback loop through which station owners can improve their content offerings, the benefit accruing to them in the form of larger audiences and improved revenues. Market research is undoubtedly a vital part of any consumer-facing business in the 21st century. The majority of local commercial stations already participate in 'RAJAR', a quarterly quantitative survey of radio listening jointly funded by the commercial radio sector and the BBC.

I propose the introduction of a **LOCAL IMPACT TEST** that would, through techniques to be determined, measure or monitor the impact of a specific local commercial radio station's output on the population within its coverage area. Such a market review would not be intended to measure the size of a radio station's audience (measurement which is already executed by RAJAR), but to provide a guide to the degree to which a radio station provides the specifically local content desired by the population in its own area. The review would be conducted in a pre-agreed, standardised format for every station taking part, the result of a collaborative effort between Ofcom and the radio industry.

A Local Impact Test would achieve the following objectives:

- Put the citizen at the centre of regulatory policy
- Move regulation of 'localness' away from using either 'inputs' or 'outputs' as proxies
- Measure the 'impact' of commercial radio content strategies on citizens at a local level, market by market
- Move commercial radio regulation away from a 'box-ticking' methodology.

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[127] RadioCentre, letter to Ofcom, 3 October 2007, p.3.
[128] RadioCentre, letter to Ofcom, 3 October 2007, p.1.

The aim of the Local Impact Test would be to demonstrate that adequate and appropriate local content is being provided by a local radio station to an extent that satisfies the needs of consumers in that area. Only if it were found that those needs were not being satisfied would there then be a need for Ofcom to intervene and open a dialogue with the station. In this way, the 'localness' of a station could be further checked through market research rather than by Ofcom content sampling.

In some very local areas, it might be found that the population's need for local content is quite small because they relate much more to a larger geographical area (for example, in a London borough). In other areas that are more isolated and less well supplied with information, the populations might have considerable demands for localness (for example, a rural area in Scotland). In both cases, the Local Impact Test should aim to measure a station's ability to supply the degree of 'localness' that is being demanded.

Obviously, the detailed mechanism for creating and managing the Local Impact Test would be an important topic for discussion and, in the end, would be one for Ofcom to decide, though it would be preferable that both the regulator and the Radio Centre agree a joint system that can be implemented without subsequent disputes. As noted earlier, it is Ofcom's specific responsibility in law to consult with stakeholders about 'localness' issues and to then draw up guidance for 'localness' in commercial radio, which may be different for different stations.[129] The recommendation proposed here for a Local Impact Test represents only a basic idea and I recognise that it would be important that Ofcom develops the detail.

I envisage that a local commercial radio station would probably be required to conduct the Local Impact Test at a regular interval agreed with Ofcom. Participating radio stations might be expected to pay for specific local research themselves or to provide clear evidence of satisfaction and appreciation of their output from their communities. Should specific research be required, there are a number of ways that the total cost could be minimised for the participants, and this topic should form part of a consultation by Ofcom as how best to carry out such a requirement. Additionally, such a review would have to take into account the content most commonly demanded by consumers from a local radio station and, importantly, the community's satisfaction with that output, which is (in no particular order):

- local news

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[129] HMSO. Communications Act 2003 (c.21), section 314:1-5.

- local travel news
- local weather
- local what's on
- local community information.

The Local Impact Test could effectively isolate the local content that the local population wants from a local radio station, and then go on to measure how well a particular local commercial radio station is fulfilling those expectations. The results could be shared between the radio station and Ofcom and, for the sake of transparency, the headline data for each station could be posted on Ofcom and the station's web sites.

Even with a large portfolio of licensees to manage, it should be a relatively easy task for Ofcom to make a comparison of the results from one specific local station with the average of other stations within the same market, within the same region, operating the same format, and with stations that are co-owned. In this way, the Local Impact Test would provide the regulator with a much more complete picture of the relevance of the local content being produced by local commercial radio stations far and wide across the UK for the citizens of those localities.

The current system of regulating localness through mandating a minimum number of hours' local input has proven to be flawed and, therefore, a new approach is required that positions local radio stations firmly within their communities, whilst providing their owners with the freedom to operate in accordance with the demands of local consumers, and within an increasingly digital media environment.

The ambition of the Local Impact Test is to offer the regulator a tool that would provide a framework for control, whilst allowing local radio stations to understand and monitor more closely the requirements of their consumers on an ongoing basis.

Local radio is only local if the local information it broadcasts is provided, sustained and valued, by the community it serves. I believe that the Local Impact Test could help to ensure these objectives remain a reality.

4(h).   RADIO STATION 'FORMATS'

Background

When the UK commercial radio system was introduced, the initial plan was to license only one local commercial radio station in each market (with the exception of London). Each of these stations was required to serve the entire needs of the local population, and the stated regulatory policy was that each station needed to be 'all things to all people'. As a result, most stations, at some point in their weekly schedule, broadcasted a classical music show, a folk music show, a rock music show, and a country music show, in order to demonstrate to the regulator that they were satisfying the diverse interests of their audiences.

In 1989, when the regulator started to license additional stations in some local markets for the first time, it became essential to provide a point of difference between the content broadcast by the 'heritage' incumbent local station and by a new competitor. As a result, each newly licensed station had to agree a 'Promise of Performance' with the regulator that required it not to broadcast content that would compete directly with the incumbent. In the London market, for example, the new jazz station had to promise to only play jazz music, the new dance station had to promise to play only dance music, etc.

Over time, the notion of the 'Promise of Performance' was extended by the regulator to all commercial radio licensees, including the 'heritage' stations. As more and more local stations were licensed in each local market, it became more important for the regulator to ensure that each station satisfied a different aspect of the demand for local radio in that market. Some stations' audiences were defined in their 'Promise of Performance' by age (i.e. a station serving under-25 year olds), by music policy (i.e. a station serving fans of rock music), by geography (i.e. a station serving the interests of the Kingston-upon-Thames community), or by ethnic group (i.e. a station serving South London's Afro-Caribbean community).

The regulatory principle was that, where limited radio spectrum existed, only a finite number of stations could be licensed in each market. Therefore, with the entry of new stations restricted to such a degree by technological constraints, it became essential for the regulator to intervene and ensure that the limited number of stations that were licensed served a breadth and variety of citizen needs. Economic analysis from the early days of commercial radio in the United States had demonstrated that, if the content of stations were not regulated in some way by intervention, the tendency was for stations in a market to move to a 'middle ground' where they would compete

against each other directly for the attention of the majority interests of listeners, thus marginalising the rest of the community.[130]

The Present

Whereas the regulator's early 'Promise of Performance' requirements for each station sometimes ran to several pages in length, the system has been progressively simplified so that the present content requirements are limited to no more than a few sentences. These documents have been renamed 'Formats' and are now publicly available from the regulator's website. The idea is that, if a listener of (or a competitor to) a local station believes that the station is broadcasting content that is not prescribed within its 'Format', a complaint can be filed with Ofcom, it is investigated and the outcome is published in Ofcom's regular compendia of consumer complaints.

There are a number of problems with the present system that make it less than an ideal tool for the regulation of commercial radio in the 21st century:

- 'Formats' restrict commercial stations' ability to make changes to their output that reflect the changing tastes of listeners in their markets
- 'Formats' limit the amount of content innovation within the commercial radio industry because they enforce a static snapshot of where each station should sit within its local market
- Music styles have become increasingly difficult to define and separate, with many record companies and artists releasing different 'mixes' or 'versions' of their output deliberately aimed to appeal to different segments of the market
- Music tastes of consumers have become less and less delineated, so that many young people today would no longer describe themselves by a single style of music that they listen to
- The age of the listener is no longer always a defining characteristic of musical taste.

The result is that, whilst the 'Format' system of regulating content broadcast by local commercial radio stations within a market may seem an appropriate regulatory tool on paper, in practice it does not completely achieve its objectives. For example, in the London market, the Format of Magic FM describes it as "an easy listening, soft, music-led service", whilst Smooth Radio is "an easy listening station", Heart FM is "a melodic, adult contemporary,

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[130] Peter O. Steiner. Program Patterns And Preferences, And The Workability Of Competition In Radio Broadcasting, 1952, Quarterly Journal Of Economics, no.66, pp.194-223.

music-led service", and Gold London is "a classic pop hits station".[131] Both on paper, and in practice, these distinctions have become increasingly irrelevant to what the consumer hears coming out of their radio loudspeaker.

Recommendations for Formats

There are stakeholders within the commercial radio industry who would like to see 'Formats' dispensed with altogether, in order to be allowed the freedom to change their content and demographic target at will in response to the dynamics of their local markets. On the other hand, there are stakeholders who, through their regulatory 'Format', are presently the sole provider of a particular type of music on analogue radio within their market, and whose livelihood would be threatened by the arrival of a direct competitor.

Even in the short term, these issues are likely to be overtaken by technological developments. Already, digital radio is offering a much wider variety of content in local markets via platforms such as DAB, the internet, digital television and mobile phones. No longer is consumer choice restricted solely to radio stations that are broadcast on the FM and AM wavebands. It is already somewhat of an anachronism to continue to be regulating analogue radio 'Formats', whilst not regulating DAB formats available within a market to such a detailed extent, and not regulating formats delivered by the internet in any way whatsoever.

I recommend that the use of 'Formats' to regulate local radio markets should focus primarily on speech content, as music will increasingly become an irrelevancy to the aim of extending consumer choice. Specifically, I propose that:

- Category 'B' radio stations should no longer be regulated with 'Formats'. These smaller commercial stations continue to face significant challenges competing with 'heritage' and larger stations within their markets. If this sector of the commercial radio landscape is to survive in any form in Digital Britain, it should be allowed to change either the content of its programmes or the demographic group it targets. The Local Impact Test which I have already proposed for this category of station will ensure that their content meets the needs of the local population. A further stratum of regulatory intervention proves unnecessarily restrictive.

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[131] Ofcom. Directory of Analogue Radio Stations, online at: http://www.ofcom.org.uk/static/radiolicensing/amfm/analogue-main.htm

- Category 'C' station 'Formats' should remain as they are. These larger commercial stations are the mainstay of the sector's 'localness' provision and they generally have sufficient scale to continue fulfilling the specific local news and information obligations required by their existing 'Formats'.

- Category 'D' stations should continue to be regulated with 'Formats', but the regulator should offer greater flexibility for change. These regional commercial radio stations were intended to provide specialist radio content that was considered economically unviable at the local market level. These are not 'local' stations with an output of specifically local news and information for a single city or town. As a result, stations in this category should be allowed greater freedom to determine their own content policies, provided they continue to widen choice for consumers and that they do not compete directly with the 'Format' of another FM licensee in the same market.

I believe it is vital to ensure that the aspect of local output which consumers most value, local news, is protected in this new and more flexible regime. I therefore propose that all categories of stations should embrace the following commitment to the nature, quality and relevance of local news bulletins:

> *"Local news bulletins should, under normal circumstances, contain stories of particular relevance to people living and working in the station's local area. Bulletins should be underpinned by genuine journalistic values, and seek to connect, engage and respond to the interests and needs of the community the station serves.*
>
> *Bulletins may be produced and presented remotely from a 'news hub'. However, regardless of where and how bulletins are produced, stations must ensure that news teams (and appropriate supporting resources) are able to respond, within a reasonable period of time, to newsworthy events from the villages, towns and cities where the target audience lives".*

I recognise that this is an over-arching ambition, rather than an enforceable regulatory principle. Therefore, I would invite Ofcom to work with RadioCentre to devise a co-regulatory set of principles around local news that will deliver this ambition.

The proposed relaxation of 'Formats' for Category 'B' and 'D' stations would offer increased flexibility to station owners within these categories to innovate and to react to the changing tastes and interests of the populations they are serving. The outcome of such a change within these categories

should subsequently be evaluated by the regulator, to determine if 'Formats' could then be withdrawn from the entire local commercial radio landscape. In the interim, such a change provides an opportunity for the commercial radio sector to prove to the regulator that it can expedite a co-regulatory structure that no longer depends upon measurements of a stations' 'inputs' or 'outputs'.

4(i).   MEDIA OWNERSHIP RULES

Background

Ofcom is required by the Communications Act 2003 to review the media ownership rules at least every three years and to make recommendations to the Secretary of State concerning any changes. The last review was conducted in 2006 and recommended that no changes should be made. However, in the radio medium, it did suggest that "further deregulation should be considered in conjunction with other changes to the structure, licensing and regulation of commercial radio…"[132]

The Present

As Ofcom noted, "the Media Ownership rules for radio are more complex than those for television and newspapers, even though people rely more on television and newspapers for their news".[133] A review of the media ownership rules pertaining to radio was incorporated within Ofcom's Future of Radio consultation in 2007. Essentially, there are four types of ownership rules affecting commercial radio:

- Cross-media ownership rules that limit the common ownership of local radio, local newspapers and regional television
- Local analogue services rules that limit the concentration of ownership to 55% of allocated 'points' in any one market with more than two commercial stations
- Local DAB services rules that limit the ownership of individual DAB stations in any market
- DAB multiplex rules that limit the ownership of multiplexes whose coverage areas overlap by more than a certain percentage; and ownership limited to no more than one national DAB multiplex.[134]

With regard specifically to the first of these rules, the outcome of Ofcom's Future of Radio consultation was a recommendation to the Secretary of State in 2007 "that the Government should retain the cross-media ownership rules…." but should make an amendment to take account of DAB radio as well as analogue radio.[135]

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[132] Ofcom. Review of Media Ownership Rules, 14 November 2006, p.4, paras. 1.15-1.16.
[133] Ofcom. Review of Media Ownership Rules, 14 November 2006, p.8, para.2.26.
[134] Ofcom. The Future of Radio, 17 April 2007, pp.76-77, paras. 4.166-4.169.
[135] Ofcom. The Future of Radio: The Next Phase: Statement and further consultation, 22 November 2007, p.66. para. 4.108.

Recommendations on Media Ownership

The perilous economic situation of the commercial radio sector makes it essential to re-examine these radio-specific and cross-media ownership rules and to determine if there is a way to simplify them, and thus to ensure that local commercial radio stations will continue to exist in many communities across the UK.

Ofcom's most recent consultation on this issue explained the rules and their rationale in some detail:

> "Ofcom's recent Review of Media Ownership Rules found that plurality of voice in a local area remains important, even though radio itself is not a primary source of news. Taking local newspapers and local radio together under common ownership could unacceptably diminish the range of voices in an area. This suggests that cross-media ownership rules remain important for plurality reasons. The current rules mean that in any area where there are three or more overlapping local licences, a person who is the dominant local newspaper provider, or the holder of the local Channel 3 television licence, may become the holder of one or more of those radio licences only if the points attributed to the licences held by that person would not account for more than 45% of the total points available in the area".[136]

In the 16 months since Ofcom published these comments, the economic challenges facing traditional media, particularly those serving local markets, have intensified dramatically. In that short period of time, it has become accepted wisdom that commercial television will in future be providing a reduced service of local content across the UK, that many local newspapers will no longer prove economically viable and will be forced to close, and that local commercial radio will struggle to find a way to ensure its own survival.

At the same time, the internet is bringing a continually faster flow of content into living rooms and workplaces in each of these local markets, in the form of the printed word via the worldwide web, in the form of audio (both on-demand and downloaded) from sources around the world, and in the form of audiovisual material (both on-demand and downloaded) from a myriad of global sources, both amateur and professional. Never has the consumer been so overwhelmed with competing content for their time, not only delivered to their computer, but increasingly to portable devices as well.

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[136] Ofcom. The Future of Radio: The Next Phase: Statement and further consultation, 22 November 2007, p.65. paras.4.99-4.101.

In these changing circumstances, it seems anachronistic to continue to seek to safeguard plurality amongst traditional media within a local market, whilst having no regard for the inbound flows of competing content. Local radio has benefited immensely in recent years from investment by television companies (UTV, Scottish Media Group, Border TV) and by newspaper owners (Guardian Media Group, Tindle Newspapers, Kent Messenger, Cumberland News). Many successful, local commercial radio stations would simply not exist were it not for the support of television and newspaper owners such as these.

I recommend that the government enacts legislation to remove the existing cross-media ownership rules in order that ownership of local commercial radio stations is extended more easily to television and newspaper owners. I suggest that competition legislation is itself sufficient to ensure plurality of voices within a market, making an additional layer of specific media ownership rules for local commercial radio increasingly redundant. There are economies of scale to be gained from integrating news operations for both local newspapers and local radio within a market, and this may prove to be the only way to ensure the continued existence of both local media.

The reality of the situation is that, with the present cross-ownership media regulations, a number of local newspapers and local commercial radio stations may be condemned to extinction through economic hardship. Surely, it must be better for citizens within those local markets to have continued access to those local news sources, even if co-ownership is the price that has to be paid for their existence.

If cross-media ownership rules were to be relaxed, and particularly if the current Office of Fair Trading review of the media mergers regime concludes that local press should be permitted greater consolidation, it would prove anachronistic to retain radio-specific plurality rules. Therefore, I propose that the current "2+1" rule for radio should be scrapped. Retaining media-specific ownership rules in today's multimedia world, especially for the smallest medium, is outdated.

4(j). DIGITAL AUDIO BROADCASTING (DAB)

Background

In the 1980s, when the Digital Audio Broadcasting (DAB) broadcast system was first invented, it was considered to be a cutting-edge European technology that could quickly replace the existing analogue radio broadcast systems used on the FM and AM wavebands. However, the implementation of DAB technology proved to be rather slow, with its first live demonstration only in 1991 at the Radio Festival in Birmingham, and the first commercial radio DAB multiplex in the UK not having launched until 1999. To date, consumer take-up in the UK has also been slower than anticipated. Presently, 30% of households have a DAB receiver at home, but the DAB platform accounts for only 10% of listening to commercial radio.[137]

A number of task forces and committees have spent considerable time examining the challenges facing the development of the DAB platform in the UK. Most recently, the Digital Radio Working Group, convened by the DCMS in November 2007, was charged with determining the current barriers to the growth of digital radio, and with suggesting possible remedies to overcome those barriers. Its Final Report, published in December 2008, covered a considerable amount of ground and made a set of recommendations to the Secretary of State that will be part of the report on Digital Britain.

It would prove redundant to repeat the detailed timeline of how we arrived where we are today with the DAB platform, though I will take the opportunity to offer some personal suggestions as to how the uptake of DAB could be accelerated.

The Present

The UK commercial radio sector operates one national DAB multiplex and a number of local multiplexes. The former regulator, The Radio Authority, licensed 46 local DAB multiplexes which launched between 2000 and 2004. A hiatus followed until the present regulator, Ofcom, started to award further DAB local multiplex licences in 2007. None of the 13 multiplex licences awarded by Ofcom between 2007 and 2009 has yet launched.

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[137] RAJAR, Q4 2008.

Figure 51: local commercial DAB multiplexes[138]

market	coverage area (15+ population)	launch date (or licensing date)
Birmingham DAB	1,837,793	31 May 2000
Glasgow DAB	1,800,930	31 May 2000
Greater London (1) DAB (CE Digital)	9,812,248	31 May 2000
Manchester DAB	2,465,786	31 May 2000
Greater London (2) DAB (Switch)	9,812,248	26 June 2000
Cardiff & Newport DAB	843,602	31 October 2000
Edinburgh DAB	1,167,267	31 October 2000
South Yorkshire DAB	1,253,127	31 October 2000
Tyne & Wear DAB	1,388,795	30 November 2000
Bristol & Bath DAB	827,079	31 January 2001
Coventry DAB	621,835	31 January 2001
Wolverhampton DAB	1,086,632	31 January 2001
Liverpool DAB	1,819,227	28 February 2001
Leeds DAB	1,071,045	31 May 2001
Teesside DAB	673,138	29 June 2001
Central Scotland DAB	2,820,552	5 July 2001
North East England Regional DAB	2,041,451	30 July 2001
South Wales & Severn Estuary Regional DAB	2,532,938	30 July 2001
West Midlands Regional DAB	3,361,981	28 August 2001
Central Lancashire DAB	1,328,578	24 September 2001
Northern Ireland DAB	1,314,520	24 September 2001
North West England Regional DAB	5,329,097	25 September 2001
Humberside DAB	674,772	30 November 2001
Aberdeen DAB	345,745	3 December 2001
Greater London (3) DAB (DRG)	8,990,511	25 January 2002
Ayrshire DAB	299,882	26 April 2002
Southend & Chelmsford DAB	1,290,796	20 May 2002
Bournemouth DAB	464,085	1 August 2002
Dundee & Perth DAB	449,483	9 October 2002
Exeter & Torbay DAB	496,468	31 October 2002
Bradford, Halifax & Huddersfield DAB	843,378	30 November 2002
Leicester DAB	722,711	30 November 2002
Peterborough DAB	385,743	30 November 2002
South Hampshire DAB	1,088,560	31 January 2003
Swindon & West Wiltshire DAB	563,881	31 January 2003
Norwich DAB	593,301	31 March 2003
Yorkshire Regional DAB	4,380,443	30 June 2003
Inverness DAB	238,129	22 August 2003
Sussex Coast DAB	877,567	30 January 2004
Swansea DAB	551,262	30 January 2004
Kent DAB	1,147,861	30 April 2004
Nottingham DAB	1,061,060	30 April 2004
Stoke DAB	880,440	30 April 2004
Reading & Basingstoke DAB	636,144	31 July 2004
Cambridge DAB	345,939	1 October 2004
Cornwall & Plymouth DAB	675,507	1 November 2004
Herts, Beds & Bucks DAB	1,829,329	12 June 2007
Derbyshire DAB	846,520	5 July 2007
Hereford & Worcester DAB	586,300	6 September 2007
Northeast Wales & West Cheshire DAB	646,638	6 September 2007
Northamptonshire DAB	504,775	11 October 2007
Oxfordshire DAB	494,390	8 November 2007
North Yorkshire DAB	695,431	13 December 2007
Gloucestershire DAB	460,042	22 January 2008
Lincolnshire DAB	670,376	19 February 2008
Surrey & Northern Sussex DAB	1,411,122	22 April 2008
Somerset DAB	481,268	21 May 2008
North Wales DAB	311,146	24 June 2008
Mid & West Wales DAB	400,065	18 March 2009

[source: Ofcom, the shaded data represent licences not yet on-air, where the date signifies the licence award]

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[138] Ofcom.

The ownership structure of the 46 local DAB multiplexes that are presently on-air is quite complex, as the majority are co-owned by various combinations of different shareholders. However, when these shareholdings are aggregated across all the DAB multiplexes presently on-air (including the national commercial DAB multiplex) and weighted by the coverage area of each multiplex, the results demonstrate that ownership is concentrated amongst the largest commercial radio groups and the transmission provider Arqiva.

Figure 52: ownership of operational DAB multiplexes weighted by coverage[139]

company	% share
Global Radio	50%
Bauer	16%
Arqiva	14%
UTV	12%
Guardian Media Group	3%
TIML	2%
Carphone Warehouse	2%
UBC	1%
Ford Motor Company	1%
Hopstar Ltd.	1%
Sabras Sound Ltd.	0%

[source: Ofcom, Digital Radio Development Bureau]

Recommendations for DAB regulation

In order for DAB to be given an opportunity to succeed as a viable digital platform for radio, there are a number of fundamental changes to its existing operation and regulation that I believe will prove necessary.

Multiplex size

It was documented earlier in this report that, in the past, the regulator had advertised a series of local analogue commercial radio licences serving progressively smaller and smaller geographical areas, a development which has had the unfortunate effect of substantially reducing the overall profitability of the radio industry. It would appear that the same phenomenon has taken place with local DAB multiplex licences, whereby the regulator has offered progressively smaller and smaller areas for licensing. Unfortunately, smaller DAB multiplex areas are bound to prove less cost effective because the radio transmission business is dominated by fixed costs.

It is an indictment of this licensing system that not one of the 13 local DAB multiplexes licensed since 2007 has yet launched, even though many applicants proffered launch dates in their applications that have now passed. Furthermore, a number of local multiplexes have been licensed in areas that are smaller than their respective local FM transmission areas which, in turn,

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[139] Ofcom & Digital Radio Development Bureau

comprise loss-making stations. It is totally unrealistic to expect profitability from a local digital multiplex that is physically smaller and less in-demand than its FM counterpart. It is simply not economical for small DAB multiplexes to come into existence, particularly when consumer take-up of the DAB platform has not grown as quickly as anticipated.

I propose that new legislation be enacted to allow neighbouring multiplexes to be merged into larger, more potentially profitable units. This would seem to be the only way in which DAB coverage can be successfully extended to cover most of the UK on any kind of sound economic footing. Ofcom should examine its existing coverage map of DAB multiplexes to determine where existing areas can be combined or extended. Unless the DAB platform moves closer to achieving universal coverage, it is unlikely to gain traction as a portable medium for consumers.

Multiplex ownership and pricing

The present concentration of ownership of the DAB platform amongst the largest commercial radio companies has created a situation in which they exercise a 'gatekeeper' role over the platform. As a result, commercial radio owners that already dominate the analogue platform have the additional power to decide which content providers are allowed to broadcast on the DAB platform, and which are allowed to compete with their own digital radio offerings. This 'gatekeeper' power was bestowed upon the multiplex owners by the 1996 Broadcasting Act and, in my opinion, has contributed, in the main, to the DAB platform's inability to provide sufficiently compelling commercial radio content to persuade consumers to purchase receivers.

Within Ofcom's definition of 'market failure in traditional broadcasting', one of the six reasons used to justify regulatory intervention is where "restricted access to spectrum makes entry impossible on market grounds and, without competition, the ability of the market to deliver the most efficient solution is impaired".[140] Many of the DAB local multiplex owners undeniably exercise a monopoly over the platform within their areas, and much of the DAB capacity on those multiplexes is being used to broadcast the owners' own brands.

Ofcom explained this "tendency towards monopoly/oligopoly" in broadcasting in more detail:

> "Economies of scope and scale are inherent in broadcasting and will tend to encourage the concentration of ownership in large, often vertically-integrated companies. The result of an

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[140] Ofcom. Ofcom's Second Public Service Broadcsting Review – Phase One: The Digital Opportunity, Annex 11: Market failure in broadcasting, 10 April 2008, p.3, para.1.10.

unregulated market might therefore be reduced competition, less choice for viewers and either higher prices or lower quality than would be available in a competitive market".[141]

There is no doubt that the reason so much of the DAB spectrum lies unused at present (particularly on the national multiplex) is that the carriage costs for DAB are too high to make it economical for potential broadcasters to produce content for the digital platform. At present, the laws of supply and demand do not seem to be regulating the pricing structure of DAB access, and the outcome is that consumer uptake of DAB is not growing sufficiently fast.

I recommend that intervention in the market is necessary to deliver an efficient solution for DAB carriage pricing. I urge that the government, at the highest level, intervenes to enact legislation that will make the cost of access to the DAB platform more reasonable for potential content providers.

I also recommend that legislation be enacted to remove the 'gatekeeper' role from existing DAB multiplex owners, the result of which should be that potential content providers would be offered carriage on an equal footing.

I believe that the outcome of these recommendations would result in the DAB platform becoming a medium filled with creative and innovative radio services that will stimulate the consumer and drive take-up of hardware. In this way, not only the DAB platform, but the very fabric of the commercial radio sector itself, could be rejuvenated with a whole variety of new and compelling content.

The aim of these changes should be to ensure that, by 2015 at the latest, the carriage cost of the DAB platform for content providers will be the same as for FM transmission serving a similarly sized area. Only once this aim has been achieved will content providers be able to make a comparable decision on the economics of broadcasting via different platforms, without being penalised by their widely divergent pricing structures.

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[141] Ofcom. Ofcom review of public service television broadcasting, 21 April 2004, p.72, para.144.

5.   ACKNOWLEDGEMENTS

The following provided input to this review:

Committee	Kip Meek, Ingenious Media
	Helen Boaden, BBC
	Peter Davies, Ofcom
	Andrew Harrison, RadioCentre
	John Mottram, DCMS
	Jaqui Devereux, Community Media Association
	Santha Rasaiah, Newspaper Society
Research & Support	Grant Goddard, Radio Analyst
Consultation Group	Paul Chantler, Consultant
	Phil Riley, Consultant
	Paul Brown, Retired
	BBC
	RadioCentre
	London Media Company
	Guardian Media Group
	Alex Dickson, Presenter
	Daniel Owen, Consultant
	UTV Media
	Jazz FM
	Scottish Media Group
	The Coast
	CN Group
	Sunrise Radio
	Lincs FM Group
	Global Radio
	Tindle Radio
	Hallett Arendt
	Radio Academy
	Steve Orchard, Consultant
	Folder Media
	QuestionAir
	UKRD
	The Local Radio Company
	Town & Country Broadcasting
	Bauer Media
	Asian Sound Radio
	Festival Productions
	Ofcom
	UBC
	Don Foster MP
	Ralph Bernard, Classic FM
	Ed Vaizey MP
	Derek Wyatt MP
	Fran Nevrkla, PPL
	Digital Radio Development Bureau
	Ingenious Media

APPENDIX ONE: PROVISIONAL LIST OF STATION CATEGORIES

CATEGORY 'B' STATIONS (183 FM stations, 23 AM stations)

Note: Special conditions may be applied for those stations under 50,000 MCA, subject to Ofcom approval.

Licence No.	Station	Area	Licence Expiry Date	MCA adults (15+) @ 2001	AM / FM
		FM STATIONS			
AL207-1	107.6 Juice FM	Liverpool	26 Mar 2021	675,905	FM
AL235-1	96.2 The Revolution	Oldham	29 Aug 2011	673,539	FM
AL087-3	Marcher Sound/Wirral's The Buzz 97.1	Wrexham & Chester	4 Sep 2016	667,733	FM
AL020-2	Red Dragon	Cardiff/Newport	31 Dec 2013	658,903	FM
AL191-1	Radio Jackie	Kingston-upon-Thames	31 Dec 2015	657,346	FM
AL219-1	South London Radio	Lewisham	7 Feb 2011	644,546	FM
AL061-3	Wyvern FM	Hereford/Worcester	3 Oct 2011	641,508	FM
AL132-2	Lincs FM	Lincoln	29 Feb 2012	639,134	FM
AL127-3	Fox FM	Oxford/Banbury	31 Dec 2016	620,196	FM
AL295-1	U105	Belfast	13 Nov 2017	603,996	FM
AL109-2	Broadland 102	Norwich	31 Dec 2015	563,200	FM
AL022-2	Mercia FM	Coventry	31 Dec 2013	559,811	FM
AL296-1	Atlantic FM	Cornwall	5 Jul 2018	544,917	FM
AL319-1	Original 106.5	Bristol	19 May 2019	539,064	FM
AL081-3	96.4 The Eagle	Guildford	3 Apr 2016	535,886	FM
AL189-1	Wish 102.4 FM	Wigan	31 Dec 2015	511,113	FM
AL042-2	City Beat 96.7	Belfast	31 Dec 2013	501,402	FM
AL136-2	Pirate FM	Cornwall	2 Apr 2012	483,401	FM
AL038-3	Imagine FM	Stockport	31 Dec 2010	462,925	FM
AL216-1	Time 107.5	Havering	17 May 2010	448,040	FM
AL135-2	Minster FM	York	30 Jun 2012	442,024	FM
AL065-2	GWR FM	Swindon/West Wiltshire	11 Oct 2010	431,400	FM
AL117-3	Mercury FM	Crawley & Reigate	31 Dec 2016	417,274	FM
AL040-3	Time FM	Thamesmead	31 Dec 2010	399,013	FM
AL032-2	Gemini FM	Exeter/Torbay	31 Dec 2013	398,332	FM
AL012-3	Northants 96	Northampton	14 Oct 2010	392,517	FM
AL239-1	107.8 Radio Hampshire	Southampton	4 Sep 2011	390,042	FM
AL314-1	Rother FM	Rotherham	14 Oct 2018	385,235	FM
AL148-2	Time 106.6	Slough, Maidenhead and Windsor	20 May 2013	383,348	FM
AL071-3	SGR FM	Ipswich/Bury St Edmunds	5 Nov 2011	375,395	FM
AL037-2	Sunrise Radio	Bradford	31 Dec 2013	368,977	FM
AL055-3	Sun FM	Sunderland	31 Dec 2010	352,530	FM
AL242-1	Ridings FM	Wakefield	2 Oct 2011	347,194	FM
AL204-1	Pennine FM	Huddersfield	28 Feb 2010	339,972	FM
AL247-1	Star 107.2	Bristol	25 Nov 2011	339,235	FM
AL028-2	Tay FM	Dundee/Perth	31 Dec 2013	335,229	FM
AL128-3	Orchard FM	Taunton & Yeovil	31 Dec 2016	332,065	FM
AL199-1	The Wolf	Wolverhampton	31 Dec 2015	329,122	FM
AL030-3	Severn Sound	Gloucester	31 Dec 2010	324,029	FM
AL024-2	Hereward FM	Peterborough	31 Dec 2013	323,126	FM
AL026-2	2CR FM	Bournemouth	31 Dec 2013	317,749	FM
AL306-1	Swansea Bay Radio	Swansea	4 Nov 2018	314,466	FM
AL250-1	L107	North Lanarkshire	18 Nov 2011	308,048	FM
AL244-1	Trax FM	Doncaster	4 Sep 2011	302,124	FM
AL091-2	96.4 FM The Wave	Swansea	29 Sep 2011	301,639	FM
AL238-1	107.4 The Quay	Portsmouth	18 Sep 2011	300,485	FM
AL315-1	KCFM	Hull	31 Jul 2019	299,614	FM
AL297-1	Durham FM	Durham	5 Dec 2017	295,628	FM
AL125-2	Q103 FM	Cambridge & Newmarket	31 Dec 2015	293,849	FM
AL170-2	Herts Mercury 96.6	St Albans & Watford	21 Oct 2010	293,347	FM
AL223-1	Kingdom FM	Fife	4 Oct 2010	292,768	FM
AL234-1	Tower FM	Bolton and Bury	19 Mar 2011	292,762	FM
AL324-1	Original 106	Aberdeen	27 Oct 2019	291,872	FM
AL300-1	99.9 Radio Norwich	Norwich	28 Jun 2018	290,313	FM
AL182-2	Spirit FM	Chichester	20 Apr 2016	271,387	FM
AL-323	Central Radio	Preston	24 Sep 2020	270,000	FM
AL047-3	Central FM	Stirling & Falkirk	31 Dec 2010	268,855	FM
AL126-3	Horizon FM	Milton Keynes	31 Dec 2016	267,925	FM
AL103-2	Plymouth Sound	Plymouth	31 Dec 2015	265,334	FM

AL052-2	Touch	Coventry	31 Dec 2013	247,275	FM
AL002-2	Northsound One	Aberdeen	28 Jul 2013	240,029	FM
AL147-2	The Bay	Morecambe Bay	28 Feb 2013	239,046	FM
AL211-1	Juice 107.2	Brighton	26 Mar 2017	236,204	FM
AL240-1	Fire 107.6	Bournemouth	25 Jun 2011	232,750	FM
AL014-2	West FM	Ayr	15 Oct 2013	232,422	FM
AL262-1	KCR FM	Knowsley	15 Jun 2013	231,468	FM
AL320-1	Jack FM	Oxford	17 Oct 2019	230,854	FM
AL137-2	Radio Wave 96.5 FM	Blackpool	24 May 2012	227,322	FM
AL193-2	Oxford's FM 107.9	Oxford	13 Feb 2011	214,710	FM
AL273-1	Reading 107	Reading	21 Oct 2014	213,772	FM
AL217-1	Touch FM	South-East Staffordshire	31 May 2010	207,582	FM
AL214-1	Wire FM	Warrington	31 Aug 2010	207,411	FM
AL180-2	KM-FM West Kent	Tunbridge Wells/ Sevenoaks	7 Jul 2011	206,277	FM
AL057-2	Moray Firth Radio (FM)	Inverness	22 Feb 2014	194,748	FM
AL258-1	2BR	Burnley	24 Jul 2012	191,267	FM
AL192-1	Fresh Radio	Yorkshire Dales	29 Jan 2021	190,462	FM
AL185-2	Touch FM	Stratford-upon-Avon	23 May 2016	190,454	FM
AL303-1	Palm FM	Torbay	26 May 2018	180,841	FM
AL289-1	Radio Carmarthenshire/Scarlet FM	Carmarthenshire	12 Jun 2016	178,318	FM
AL227-1	Peak FM	Chesterfield	6 Oct 2010	177,509	FM
AL313-1	Southend Radio	Southend	28 Mar 2020	177,297	FM
AL162-2	97.2 Stray FM	Harrogate	3 Jul 2014	176,821	FM
AL326-1	Herefordshire and Monmouthshire's Classic Hits	Herefordshire and Monmouthshire	13 Dec 2019	174,745	FM
AL186-1	The Beach	Great Yarmouth & Lowestoft	28 Sep 2011	174,124	FM
AL149-2	CFM	Carlisle	13 Apr 2013	173,439	FM
AL280-1	Dearne FM	Barnsley	4 Oct 2011	173,022	FM
AL195-1	KMFM Medway	Medway Towns	31 Aug 2020	168,629	FM
AL292-1	The Bee	Blackburn	30 Sep 2017	164,096	FM
AL259-1	HertBeat FM	Herford	2 Mar 2013	159,535	FM
AL203-1	Dune FM	Southport	31 Dec 2015	159,128	FM
AL221-1	Dream 107.7	Chelmsford	17 Oct 2010	157,550	FM
AL043-3	Connect FM	Kettering	31 Dec 2010	156,045	FM
AL308-1	Town FM	Ipswich	18 Oct 2018	154,993	FM
AL159-2	Mix 96	Aylesbury	14 Apr 2014	147,310	FM
AL304-1	Brunel FM	Swindon	1 Sep 2018	139,722	FM
AL152-2	Coast FM	North Wales Coast	26 Aug 2013	138,711	FM
AL226-1	Mansfield 103.2	Mansfield	31 Jan 2011	137,739	FM
AL245-1	Lite FM	Peterborough	23 Jul 2011	136,403	FM
AL194-1	Star 107.9	Cambridge	31 Dec 2015	134,258	FM
AL318-1	Exeter FM	Exeter	17 Feb 2020	132,783	FM
AL153-2	SGR Colchester	Colchester	16 Oct 2013	131,083	FM
AL206-1	Sovereign Radio	Eastbourne	31 Dec 2015	130,359	FM
AL054-3	Dream 100	Tendring	31 Dec 2010	117,154	FM
AL213-1	Silk FM	Macclesfield	24 May 2010	116,157	FM
AL237-1	Telford FM	Telford	2 May 2011	114,120	FM
AL278-1	Splash FM	Worthing	4 May 2011	113,487	FM
AL225-1	Star 107.5	Cheltenham	6 Sep 2010	111,730	FM
AL232-1	Wave 102	Dundee	29 Aug 2011	110,451	FM
AL274-1	Dee 106.3	Chester	28 Feb 2011	110,213	FM
AL150-2	Ten 17	Harlow	30 Apr 2013	108,837	FM
AL181-2	Alpha 103.2	Darlington	29 Nov 2011	108,262	FM
AL263-1	Bright 106.4	Burgess Hill and Haywards Heath	30 Mar 2013	107,975	FM
AL205-1	KM-FM Dover/Folkestone	Dover/Folkestone	31 Dec 2015	107,209	FM
AL155-2	Q102	Londonderry	20 Oct 2012	107,128	FM
AL154-2	Wessex FM	Weymouth and Dorchester	3 Sep 2013	106,779	FM
AL310-1	The Severn	Shrewsbury	17 Sep 2018	106,721	FM
AL281-1	Ivel FM	Yeovil	25 Oct 2011	105,501	FM
AL309-1	Touch Radio	Warwick	3 Apr 2020	103,967	FM
AL044-3	Isle of Wight Radio	Isle of Wight	31 Dec 2010	103,792	FM
AL276-2	Mix 107	High Wycombe	30 Oct 2013	100,854	FM
AL212-1	Kestrel FM	Basingstoke	17 May 2010	99,745	FM
AL177-2	CFM	West Cumbria	13 Apr 2013	97,808	FM
AL134-2	KLFM	Kings Lynn	30 Jun 2012	96,144	FM
AL222-1	Champion FM	Caernarfon	10 Dec 2010	94,873	FM
AL140-2	Lantern FM	Barnstaple	11 Oct 2012	94,403	FM
AL197-1	KM-FM Thanet	Thanet	21 Dec 2015	93,169	FM
AL266-1	Compass FM	Grimsby	2 Jun 2013	91,992	FM
AL283-1	KMFM Maidstone	Maidstone	17 Oct 2011	90,329	FM

AL272-1	Pembrokeshire	Radio Pembrokeshire	13 Jul 2014	89,127	FM
AL130-3	South West Sound	Dumfries & Galloway	31 Dec 2016	86,700	FM
AL210-1	Arrow FM	Hastings	31 Dec 2015	86,353	FM
AL301-1	Seven FM	Ballymena	31 Oct 2017	86,328	FM
AL294-1	The Wyre	Kidderminster	11 Sep 2017	83,588	FM
AL158-2	Yorkshire Coast Radio	Scarborough	6 Nov 2013	82,901	FM
AL248-1	Bath FM	Bath	14 Nov 2011	82,433	FM
AL129-3	Radio Borders	The Borders	31 Dec 2016	81,807	FM
AL252-1	South Hams Radio	South Hams	30 Nov 2011	81,689	FM
AL270-1	Q101.2 FM	Omagh and Enniskillen	18 Mar 2014	81,247	FM
AL257-1	Bridge FM	Bridgend	30 Apr 2012	80,939	FM
AL230-1	Oak FM	Loughborough	13 Feb 2011	80,499	FM
AL286-1	High Peak Radio	Buxton	3 Apr 2016	76,674	FM
AL145-2	Spire FM	Salisbury	4 Sep 2012	74,802	FM
AL275-1	Six FM (formerly Mid FM)	Mid Ulster	31 Jan 2011	74,471	FM
AL249-1	Star 107.7 FM	Weston-super-Mare	22 Oct 2011	73,478	FM
AL146-2	Delta FM	Alton/Haslemere	21 Nov 2012	73,032	FM
AL143-2	Channel 103	Jersey	24 Oct 2012	72,419	FM
AL139-2	Radio Ceredigion	Ceredigion	13 Dec 2012	72,088	FM
AL256-1	Kick FM	Newbury	28 May 2012	67,103	FM
AL293-1	KMFM Ashford	Ashford	2 Oct 2017	66,810	FM
AL201-1	KM-FM 106	Canterbury	31 Dec 2015	65,624	FM
AL163-2	NECR	Inverurie	5 Jun 2010	65,008	FM
AL299-1	Touch FM (Banbury)	Banbury	24 Feb 2018	60,770	FM
AL322-1	Perth FM	Perth	4 Nov 2020	60,000	FM
AL231-1	Fosseway Radio	Hinckley	31 Oct 2010	59,809	FM
AL271-1	107.1 Rugby FM	Rugby	30 Aug 2010	58,763	FM
AL179-2	97.4 Vale FM	Shaftesbury	24 Jun 2011	53,710	FM
AL316-1	Five FM	Newry	11 Dec 2018	51,702	FM
AL142-2	Island FM	Guernsey	14 Oct 2012	51,342	FM
AL241-1	Win FM	Winchester	2 Oct 2011	50,343	FM
AL209-1	Waves Radio Peterhead	Peterhead	5 Dec 2020	45,169	FM
AL254-1	Q97.2 FM	Coleraine	25 Jan 2012	44,948	FM
AL267-1	Lakeland Radio	Kendal/Windermere	26 Oct 2013	39,979	FM
AL317-1	Andover Sound	Andover	25 May 2020	39,624	FM
AL260-1	BCR FM	Bridgwater	3 Jul 2013	38,299	FM
AL285-1	North Norfolk Radio	North Norfolk	9 Nov 2011	37,930	FM
AL307-1	Minster Northallerton	Northallerton	10 Jun 2019	35,231	FM
AL224-1	Trax FM	Bassetlaw	21 Nov 2010	34,848	FM
AL264-1	Your Radio	Dumbarton	29 May 2013	33,628	FM
AL229-1	Rutland Radio	Rutland	12 Dec 2010	29,034	FM
AL253-1	Yorkshire Coast Radio	Bridlington	6 Nov 2011	28,405	FM
AL287-1	Your Radio	Helensburgh	29 Nov 2011	22,389	FM
AL233-1	RNA FM	Arbroath	24 Nov 2010	20,568	FM
AL218-1	Quay West	West Somerset	14 Aug 2010	19,826	FM
AL268-1	3TR FM	Warminster	4 Nov 2013	18,410	FM
AL131-2	SIBC	Shetland Islands	18 Oct 2011	15,754	FM
AL202-1	Isles FM	Western Isles	6 Mar 2010	13,551	FM
AL166-2	Nevis Radio	Fort William	31 Jul 2010	11,257	FM
AL251-1	Argyll FM	Kintyre,Islay and Jura	9 Jul 2012	9,400	FM
AL187-2	Oban FM	Oban	14 Jul 2016	8,690	FM
AL279-1	Cuillin FM	Skye	2 Jul 2016	6,149	FM
AL133-2	Heartland FM	Pitlochry & Aberfeldy	13 Mar 2012	5,352	FM
AL198-1	Lochbroom FM	Ullapool	31 Dec 2015	1,922	FM
AL282-1	Two Lochs Radio	Gairloch & Loch Ewe	21 Nov 2011	1,681	FM
		AM STATIONS			
AL122-2	Gold	Reading/Basingstoke & Andover	31 Dec 2015	692,793	AM
AL023-2	Gold	Peterborough	31 Dec 2013	628,634	AM
AL011-3	Gold	Northampton	14 Oct 2010	627,517	AM
AL088-2	Signal Two	Stoke-on-Trent	4 Sep 2011	620,522	AM
AL021-2	Gold	Coventry	31 Dec 2013	584,701	AM
AL070-3	Gold	Ipswich/Bury St Edmunds	5 Nov 2011	565,364	AM
AL029-3	Gold	Gloucester	31 Dec 2010	559,468	AM
AL108-2	Gold	Norwich	31 Dec 2015	552,669	AM
AL013-2	Westsound AM	Ayr	15 Oct 2013	544,973	AM
AL064-2	Gold	Swindon/West Wiltshire	11 Oct 2010	531,049	AM
AL080-3	County Sound	Guildford	3 Apr 2016	514,551	AM
AL116-2	Gold	Crawley & Reigate	31 Dec 2015	497,622	AM
AL086-3	Gold	Wrexham & Chester	4 Sep 2016	483,556	AM

AL060-3	Sunshine 954	Hereford/Worcester	3 Oct 2011	482,695	AM
AL025-2	Gold	Bournemouth	31 Dec 2013	479,183	AM
AL188-2	Valleys Radio	Heads of Valleys	22 Nov 2016	475,315	AM
AL090-2	Swansea Sound	Swansea	29 Sep 2011	368,625	AM
AL027-2	Tay AM	Dundee/Perth	31 Dec 2013	322,977	AM
AL102-2	Gold	Plymouth	31 Dec 2015	277,397	AM
AL001-2	Northsound Two	Aberdeen	28 Jul 2013	245,770	AM
AL056-2	Moray Firth Radio (AM)	Inverness	22 Feb 2014	173,692	AM
AL138-2	Sunshine 855	Ludlow	30 Sep 2012	97,026	AM
AL151-2	Radio Maldwyn	Montgomeryshire	30 Jun 2013	67,335	AM

CATEGORY 'C' STATIONS (42 FM STATIONS, 34 AM STATIONS)

Licence No.	Station	Area	Licence Expiry Date	MCA adults (15+) @ 2001	AM / FM
		FM STATIONS			
AL173-1	Absolute 105.8 FM	Greater London	9 Apr 2014	7,045,749	FM
AL008-2	LBC 97.3	Greater London	7 Oct 2013	7,045,749	FM
AL051-2	Magic 105.4	Greater London	31 Dec 2013	7,045,749	FM
AL067-2	Capital FM	Greater London	15 Oct 2010	7,045,749	FM
AL174-1	Heart 106.2 FM	Greater London	4 Sep 2014	7,045,749	FM
AL053-2	Kiss 100	Greater London	31 Dec 2013	6,703,389	FM
AL196-1	XFM	Greater London	31 Aug 2020	6,227,937	FM
AL039-2	Smooth 102.2	Greater London	31 Dec 2013	6,106,343	FM
AL079-2	Key 103	Manchester	1 Apr 2011	2,166,470	FM
AL255-1	Choice FM	North London	2 May 2012	1,929,148	FM
AL077-2	BRMB	Birmingham	18 Feb 2011	1,816,137	FM
AL075-2	Clyde 1 FM	Glasgow	30 Dec 2010	1,723,160	FM
AL033-2	Galaxy 102	Manchester	15 Oct 2013	1,628,501	FM
AL041-2	Choice FM	Brixton	31 Dec 2013	1,577,032	FM
AL325-1	Rock Radio	Manchester	5 May 2020	1,518,948	FM
AL097-2	Radio City 96.7	Liverpool	20 Oct 2011	1,465,433	FM
AL290-1	Smooth	Glasgow	6 Sep 2016	1,461,855	FM
AL321-1	City Talk	Liverpool	27 Jan 2020	1,375,724	FM
AL119-2	Beacon FM	Wolverhampton/Shropshire	31 Dec 2015	1,373,782	FM
AL083-2	Metro FM	Tyne and Wear	14 Jul 2011	1,328,512	FM
AL298-1	XFM Manchester	Manchester	14 Mar 2018	1,234,535	FM
AL046-2	Galaxy 102.2	Birmingham	31 Dec 2013	1,223,555	FM
AL063-2	Rock FM	Preston	4 Oct 2010	1,207,258	FM
AL093-2	Hallam FM	South Yorkshire	30 Sep 2011	1,184,382	FM
AL121-2	Downtown/Cool FM	Northern Ireland	31 Dec 2015	1,158,555	FM
AL115-2	Ocean FM/Power FM	South Hampshire	31 Dec 2015	1,116,374	FM
AL073-2	The Pulse	Bradford / Huddersfield	3 Dec 2010	1,088,038	FM
AL113-2	Invicta FM	Maidstone & Medway/East Kent	31 Dec 2015	1,083,171	FM
AL107-2	Trent FM/Ram FM	Nottingham/Derby	31 Dec 2015	1,057,559	FM
AL099-2	Forth 1	Edinburgh	31 Dec 2015	1,042,714	FM
AL036-3	London Greek Radio	Haringey	31 Dec 2010	1,012,200	FM
AL101-2	Viking FM	Humberside	31 Dec 2015	895,819	FM
AL006-2	Essex FM	Southend/Chelmsford	11 Sep 2013	861,317	FM
AL085-2	Southern FM	Brighton / Eastbourne & Hastings	28 Aug 2011	838,286	FM
AL004-2	Aire FM	Leeds	31 Aug 2013	836,687	FM
AL089-2	Signal One	Stoke-on-Trent	4 Sep 2011	818,797	FM
AL010-2	Chiltern FM	Luton/Bedford	14 Oct 2013	813,824	FM
AL105-2	TFM	Teesside	31 Dec 2015	788,467	FM
AL123-2	2-Ten FM	Reading/Basingstoke & Andover	31 Dec 2015	751,305	FM
AL016-2	GWR FM	Bristol and Bath	28 Oct 2013	729,190	FM
AL059-2	Leicester Sound	Leicester	6 Sep 2010	712,566	FM
AL141-2	Rock Radio	Paisley	1 Oct 2011	704,066	FM

	AM STATIONS				
AL050-2	Spectrum Radio	Greater London	31 Dec 2013	10,433,014	AM
AL156-2	Sunrise Radio	Greater London	31 Dec 2012	8,038,386	AM
AL007-2	LBC News 1152	Greater London	7 Oct 2013	7,981,662	AM
AL066-2	Capital Gold	Greater London	15 Oct 2010	7,981,662	AM
AL176-2	Premier Radio	Greater London	9 Jun 2011	7,664,644	AM
AL175-2	Club Asia	Greater London	2 Jul 2011	7,163,171	AM
AL160-2	Kismat	Greater London	31 Aug 2013	6,675,971	AM
AL171-1	Radio XL	Birmingham	29 May 2010	3,104,253	AM
AL161-1	Gold (Manchester)	Manchester	19 Jun 2013	2,200,721	AM
AL118-2	Gold	Wolverhampton/Shropshire	31 Dec 2015	2,174,496	AM
AL183-1	Asian Sound Radio	East Lancashire	2 Jun 2011	1,923,963	AM
AL172-2	London Turkish Radio	North London	16 Aug 2011	1,915,684	AM
AL078-2	Magic 1152 AM	Manchester	1 Apr 2011	1,849,446	AM
AL076-2	Gold (Birminhgam)	Birmingham	18 Feb 2011	1,758,367	AM
AL096-2	Magic 1548	Liverpool	20 Oct 2011	1,690,270	AM
AL005-2	Gold	Southend/Chelmsford	31 Dec 2013	1,621,326	AM
AL074-2	Clyde 2	Glasgow	30 Dec 2010	1,573,496	AM
AL106-2	Gold	Nottingham/Derby	31 Dec 2015	1,552,196	AM
AL092-2	Magic AM	South Yorkshire	30 Sep 2011	1,532,094	AM
AL072-2	Gold	Bradford / Huddersfield	3 Dec 2010	1,360,778	AM
AL003-2	Magic 828	Leeds	31 Aug 2013	1,269,454	AM
AL082-2	Magic 1152 AM	Tyne and Wear	14 Jul 2011	1,267,530	AM
AL009-3	Gold 792/828	Luton/Bedford	14 Oct 2010	1,128,298	AM
AL062-2	Magic 999	Preston	4 Oct 2010	1,058,143	AM
AL112-2	Gold	Maidstone & Medway/East Kent	31 Dec 2015	1,041,029	AM
AL084-2	Gold (Brighton, Eastbourne and Hastings)	Brighton / Eastbourne & Hastings	28 Aug 2011	1,022,832	AM
AL015-2	Gold	Bristol	31 Dec 2013	1,009,708	AM
AL114-2	Gold	South Hampshire	31 Dec 2015	966,020	AM
AL098-2	Forth 2	Edinburgh	31 Dec 2015	963,916	AM
AL019-2	Gold	Cardiff/Newport	31 Dec 2013	922,139	AM
AL104-2	Magic 1170	Teesside	31 Dec 2015	788,973	AM
AL120-2	Downtown Radio	Belfast AM	31 Dec 2015	761,513	AM
AL058-2	Sabras Radio	Leicester	6 Sep 2010	740,667	AM
AL100-2	Magic 1161 AM	Humberside	31 Dec 2015	730,709	AM

CATEGORY 'D' STATIONS (20 FM STATIONS)

Licence No.	Station	Area	Licence Expiry Date	MCA adults (15+) @ 2001	AM / FM
		FM STATIONS			
AL164-1	Smooth 100.4	North West England	31 Aug 2013	4,260,637	FM
AL220-1	Real Radio (105.4)	North West England	7 Sep 2010	4,260,637	FM
AL190-1	Galaxy 105	Yorkshire	13 Feb 2020	3,231,254	FM
AL269-1	Real Radio (Yorkshire)	South & West Yorkshire	24 Mar 2014	2,943,772	FM
AL168-1	Real Radio	Central Scotland	15 Sep 2013	2,513,570	FM
AL243-1	Galaxy Scotland	Central Scotland	18 Nov 2011	2,395,417	FM
AL169-1	100.7 Heart FM	West Midlands	5 Sep 2013	2,294,015	FM
AL265-1	Smooth 105.7	West Midlands	16 Oct 2013	2,294,015	FM
AL288-1	Kerrang	West Midlands	9 Jun 2016	2,294,015	FM
AL165-1	Real FM	North East England	31 Aug 2013	2,028,604	FM
AL236-1	Galaxy 105-106	North East England	31 May 2011	2,028,604	FM
AL311-1	Smooth Radio	North East England	7 Jan 2020	1,947,226	FM
AL200-1	Heart 106	East Midlands	22 Sep 2020	1,657,293	FM
AL167-1	Kiss 101	Severn Estuary	3 Sep 2013	1,638,589	FM
AL277-1	Smooth 106.6	East Midlands	10 Feb 2011	1,547,621	FM
AL215-1	Wave 105	Solent	13 Jun 2010	1,451,264	FM
AL208-1	Kiss 105-108	East of England	21 Nov 2020	1,424,437	FM
AL302-1	Coast 106	Solent	30 Sep 2018	1,374,137	FM
AL261-1	Real Radio	South Wales	2 Oct 2019	1,237,568	FM
AL327-1	Nation Radio	South Wales	28 Nov 2019	873,636	FM

ABOUT THE AUTHOR:

John Myers has spent more than 25 years working in Local Radio, successfully managing radio stations of every size in most areas of the UK. Most recently, he was Chief Executive of GMG Radio, having led the company from its creation in 1999 to become the third largest radio group in the UK. An award winning presenter, he was formerly Group Managing Director of Border Radio Holdings; and Chief Executive of Radio Investments Ltd, owners of 25 local radio stations across the country.

A member of the Sony Radio Academy Awards Committee, he was formerly Chairman of the Radio Academy, director of GMG plc and a member of the board of RadioCentre. In 2005, he was awarded a Fellowship for his contribution to radio.