

Response to the BBC Trust's Public Value Test provisional conclusions on the BBC's Local Video Proposal

1. Background

- 1.1. RadioCentre is the industry body for Commercial Radio. Formed in July 2006 from the merger of the Radio Advertising Bureau (RAB) and the Commercial Radio Companies Association (CRCA), RadioCentre's membership comprises the overwhelming majority of UK Commercial Radio stations, who fund the organisation. RadioCentre is governed by a board of eight directors, representing a cross section of the industry and including all the major Commercial Radio groups.
- 1.2. The role of RadioCentre is to maintain and build a strong and successful Commercial Radio industry - in terms of both listening hours and revenues. RadioCentre operates in a number of areas including working with advertisers and their agencies, representing Commercial Radio companies to Government, Ofcom, copyright societies and other organisations concerned with radio. RadioCentre also provides a forum for industry discussion, is a source of advice to members on all aspects of radio, jointly owns Radio Joint Audience Research Ltd (RAJAR) with the BBC, and includes copy clearance services for the industry through the Radio Advertising Clearance Centre (RACC).

2. Do you agree with the BBC Trust's decision to refuse permission for local video?

2.1. Overview

- 2.1.1. RadioCentre welcomes the BBC Trust's decision to reject the BBC Executive's local video proposals on the basis of its Public Value Assessment and Ofcom's Market Impact Assessment.
- 2.1.2. We broadly agree with the findings and conclusions of Ofcom's MIA and the Trust's PVA. However, we believe it is important that the overall reduction in net public value and plurality within local media markets, which would have resulted from the implementation of local video, is not underplayed.

2.2. Comments on the BBC Trust's Public Value Assessment

- 2.2.1. The BBC Trust concluded that local video proposals would only generate a '*low to medium level of public value*'. This is in part because, as we noted in our August 2008 response to the BBC Trust's Public Value Assessment (PVA), the '*performance gaps*' identified in the BBC's delivery of the *Representing the UK, its Nations, Regions and Communities* public purpose did not point towards a need for a new local video service.
- 2.2.2. In fact, the analysis presented by RadioCentre in our PVA response suggests that rather than simply providing a low level of public value, local video would lead to an overall reduction in net public value. It is important that this concept of net public value is considered by the Trust when it considers any future expenditure proposals from the BBC Executive for the £68m that had been allocated for local video.

2.3. Comments on Ofcom's Market Impact Assessment

- 2.3.1. We agree with Ofcom's conclusion that the BBC Executive's local video proposals would have had a '*significant negative market impact on commercial providers*'.
- 2.3.2. Ofcom's research concluded that the effect of local video on on-air listening and radio website usage '*will not be very large either in absolute terms or as a proportion of revenue*'. However, any reduction in revenue - even a 1% or 2% fall - would be highly damaging to Commercial Radio, given the current fragile state of the industry, and could be the difference between profitability and loss-making operations for many small stations.
- 2.3.3. We would also question whether the impact of local video on Commercial Radio would have

been greater than Ofcom concluded. Whilst we recognise that local news is not the primary driver of listening to Commercial Radio, our audience continues to appreciate and value local news, both on air and online. Indeed, Ofcom's MIA states that *'the majority of people say that local news is one of the most important things for radio to provide and consumers expect a regular local news service from their local radio station'*¹. Local video would have undermined one of the key means by which Commercial Radio attracts listeners.

3. How do you think the BBC should meet the public's demands for better regional and local services?

3.1. The BBC's position within local media markets

- 3.1.1. The Trust concluded that local video would not adequately meet what it believes to be a considerable performance gap in the BBC's *Representing the UK, its Nations, Regions and Communities* public purpose. However, the Trust remains keen to ensure that this gap is addressed. This is despite admitting that this is not considered a key priority by licence fee payers.
- 3.1.2. The performance gaps in the BBC's *Representing the UK, its Nations, Regions and Communities* public purpose partly exists because of the complementary role that the BBC has hitherto played in local markets; a role which we believe should continue in order to protect net public value and plurality.
- 3.1.3. We believe that healthy and thriving pluralistic local cross-media markets can be achieved if the BBC and commercial operators
 - complement each other on content, rather than directly competing
 - collaborate on platform development and investment
- 3.1.4. We are therefore concerned by the Trust's suggestion that the BBC Executive consider regional-level news opt-outs for radio services in the devolved nations. This would put these services into direct competition with local commercial stations in Scotland, Wales and Northern Ireland, causing an overall negative impact on plurality.
- 3.1.5. We argued in our response to the Trust's PVA that the BBC should improve the editorial values of its existing television and radio network news, to ensure that all licence fee payers feel fully represented. We believe that this could be achieved without the use of additional resources.

3.2. Improving the UK's DAB infrastructure

- 3.2.1. Instead, the BBC could meet the public's demand for improved regional and local services by assisting the continued build out of the UK's DAB infrastructure.
- 3.2.2. The Digital Radio Working Group's final report was published in December 2008. The report stressed that lack of coverage is a major barrier to the future growth of DAB and it is a barrier which is neither easy nor cheap to overcome. The report is also very forthright in its belief that there are public policy grounds for rolling out all local DAB signals to match the BBC's existing FM coverage.
- 3.2.3. The report also refers to the inherent problem for the BBC continuing to broadcast its local services on the commercial multiplexes; the BBC wishes to provide universal coverage for its local services within their editorial areas, while commercial operators are only able to build-out coverage to areas which are commercially viable.
- 3.2.4. We therefore believe that the BBC should meet the public's demands for better regional and local services through investing the £68m allocated to local video in helping with the cost of building out local DAB infrastructure.

¹ Ofcom, Market Impact Assessment of the BBC's Local Video Service, p. 87

3.3. The BBC's Partnership Proposals

- 3.3.1. The Trust states in its provisional conclusions that it expects the BBC to remain open to new ways of enhancing local news provision through its relationship with other providers.
- 3.3.2. The BBC Executive has begun to develop potential partnership proposals in its November 2008 document *Helping sustain UK PSB*. These include making 'a significant amount of raw news footage...available more widely' and an 'opportunity to share regional news infrastructure'.
- 3.3.3. We believe that a plurality of news gatherers is fundamental to preserving plurality of output and welcome the BBC's decision to explore how it can help to sustain regional news beyond the BBC. However, if these partnership proposals are implemented, the greatest care must be taken to ensure that plurality in local media markets is preserved, if not enhanced, as a result.

4. Are there any other issues you would like the BBC Trust to consider in relation to its decision?

4.1. The BBC's ongoing role in local, regional and national markets

- 4.1.1. In its PVA, the Trust sets out a counterfactual scenario to the implementation of local video, in which BBC local sites evolve over a five-year period with incremental investment.
- 4.1.2. The Trust asserts that this incremental development is allowed under the terms of the bbc.co.uk service licence. However, we would like the Trust to consider whether there is a danger that too much lee-way is built into the BBC's service licences. Incremental change could naturally result in substantial change over a period of time, and when this occurs there may grounds for the Trust to conduct a PVT. The criteria for the triggering of PVTs may therefore require reconsideration.
- 4.1.3. This local video PVT has highlighted potential ambiguity about the BBC's ongoing role. It is important that this insight informs future Trust thinking about the BBC's role in localities, regions and nations - including any changes implemented as a result of the findings of this PVT. The Trust should be mindful of the need to provide clarity to the market about the BBC's role; we suggest that the Trust bears this in mind when it next reviews the BBC's local services.

RadioCentre, January 2009

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