

## **Response to the BBC Trust Consultation on the BBC's policy regarding the sponsorship of on-air events mounted by the BBC**

### **Background**

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.
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).
3. In 2007, RadioCentre complained about sponsorship of the BBC Sports Personality of the Year programme, several aspects of which were subsequently upheld following appeal to the BBC Trust.

### **Introduction**

4. RadioCentre welcomes the approach taken by the BBC in devising its new policy for the sponsorship of on-air events mounted by the BBC. In particular we welcome the decision to no longer accept sponsorship by commercial bodies for on-air BBC events.
5. However, we believe that it is inappropriate for the BBC to enter into any arrangement, whether with a sponsor of a BBC event or with the owner of rights to a non-BBC event which has a sponsor, which guarantees, either explicitly or implicitly, any amount of visual or verbal reference to the event sponsor.
6. The BBC enjoys a unique and privileged funding model which gives it a security of income not enjoyed by any other UK broadcaster. This unique funding bestows several important advantages on the BBC:
  - Firstly, the BBC has no 'cost of sales'. Whereas a proportion of all commercial broadcasters' income must be spent on generating that income, the BBC's income is solely available for the production and promotion of its content.
  - Secondly, at times when other broadcasters are struggling with a depressed advertising market, the BBC's guaranteed income translates into superior ability to invest in content, giving it a competitive advantage in attracting consumers.
  - Finally, regardless of the financial environment facing its competitors, the BBC always has a competitive advantage in attracting consumers because, even when all other factors are equal, consumers are more likely to want to watch/listen to output without advertisements.
7. These structural and competitive advantages are well understood. What is not always so well understood is that the ad-free environment enjoyed by the BBC is also enormously attractive to companies and organisations keen to promote their brand. This suggests that the BBC's funding model gives it two further, if indirect, advantages over commercial operators:
  - Firstly, sponsors will inevitably be keener to be involved with a BBC event than one broadcast by a commercial entity, because of the lack of product clash with competitors and the generally commercially uncluttered environment.

- Secondly, owners of the rights to non-BBC events which have a sponsor will prefer to secure broadcast deals with the BBC than with commercial broadcasters because the event sponsor will prefer to receive exposure on the commercially uncluttered BBC than on a commercial channel.
8. The outcome of both of these scenarios is that, as a result of licence fee payers' investment in the BBC, value is delivered to either the rights holder or the sponsor. We suggest that this is not an appropriate outcome of the BBC's unique funding model and ask the Trust to consider undertaking further work in this area.
  9. Our response now addresses those matters of concern to Commercial Radio in the guidance document as published by the BBC.

### **On-air credits**

10. We believe that, as currently drafted, the guidance undermines the BBC's stated aim of ensuring that "there must be no contractual guarantees of any on-air verbal or visual credits for sponsors<sup>1</sup>".
11. Although the guidance aims to be clear, stating that the BBC "should not enter into a contractual arrangement which guarantees on-air credits<sup>2</sup>", we believe that other aspects of the guidance would lead a sponsor to understand that it will achieve a minimum level on-air profile in return for its sponsorship of the event. In particular, we note the very detailed guidance on how many and how frequently on-air credits may be given that are outlined in section 11 of the guidance and the BBC's aim to "credit fairly the enabling role of sponsors<sup>3</sup>".
12. Even if the sponsorship contract itself does not guarantee on-air credits, we believe that the combination of these two factors would lead to a sponsor understanding that it would receive particular amounts and types of on-air mention. As outlined above, we believe it is inappropriate for any sponsor of a BBC event to receive any on-air mention during a BBC broadcast.
13. It could be possible to argue that the principal reason for mentioning the sponsor is to ensure that licence fee payers are made aware of the sponsor's involvement in the event; effectively that it is the BBC, rather than the sponsor, who insists on the sponsor receiving on-air credit. We can think of only two reasons which this type of transparency might be needed:
  - Listeners/viewers need to know of the sponsor's involvement because the sponsor has, in some way, influenced the nature of the event. However, we contend that, if the sponsor has influenced an on-air event, this would represent an unjustifiable intervention into the BBC's editorial independence.
  - Without the involvement of the sponsor, the event could not have been staged, therefore listeners/views need to be aware of this. However, if the sponsor's involvement is, as is required by the guidelines, restricted to financially supporting the event rather than the broadcasting of the event, surely it is only those attending the event, rather than those consuming the broadcast, who need to be made aware of the sponsor's involvement.
14. Regardless of whether or not a sponsor should receive on-air credit for its involvement in funding the event, rather than its broadcast (and we argue above that it should not), we are concerned about the nature of the credits given.
15. It is our judgement that, too often, they sound like a paid-for sponsor credit, rather than an acknowledgement of involvement in producing an event. If event sponsors are to be credited on-air, we believe much more care needs to be given to the nature and style of these credits such that both the listener/viewer and the sponsor themselves are quite clear that these are not sponsor credits, but instead are simply acknowledgement of the support given to the event, much in the way that others involved in the event might be mentioned. For example, in her

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<sup>1</sup> Guidance on sponsorship of BBC on-air events broadcast on BBC publicly funded channels, Key Principles, pg 1

<sup>2</sup> Guidance on sponsorship of BBC on-air events broadcast on BBC publicly funded channels, Key Principles, pg 1

<sup>3</sup> Guidance on sponsorship of BBC on-air events broadcast on BBC publicly funded channels, Key Principles, pg 1

closing remarks at a choir competition on Radio 3, a presenter might thank the staff at the concert hall for the warm welcome they had extended and note the competition's appreciation of the support of its sponsor.

### **Title of the event**

16. We note that the BBC Trust draws a distinction between a presenter introducing "The Tabor Foundation BBC Young Musician of the Year" and "BBC Young Musician of the Year Event supported by the Tabor Foundation". We believe that audiences would find no such distinction, and that the insertion of the word "event" is entirely cosmetic.
17. We therefore recommend that, if on-air sponsor credits are to be given, they should not be in introducing the broadcast, but should instead be as part of a body of editorial comment about the event as noted in our example above.

### **Sponsorship by non-commercial bodies**

18. Whilst we welcome the decision not to seek or accept sponsorship of BBC on-air events from commercial bodies, we believe that sponsorship by non-commercial bodies also poses potential problems.
19. We recognise that the BBC is likely to wish to partner with organisations who have shared objectives; whose interests align with the BBC; and whose involvement in an event is likely to dovetail with their activities in other areas. However, by proposing a policy which guarantees any level of on-air exposure for the sponsor, even implicitly, the BBC is conceding that at least part of the reason for the sponsor's involvement in the event is to increase exposure and awareness of the sponsor's activities or brand.
20. An additional concern is the potential distortion of the advertising market which BBC activity in the market for non-commercial organisation revenues could represent. The sponsorship market is particularly important for radio, representing almost 20% of overall revenues<sup>4</sup>, approximately six times as great a proportion as the TV sponsorship market.
21. Advertising and sponsorship income from non-commercial bodies is an important and growing area of Commercial Radio revenue. For example, The Central Office of Information is radio's largest advertiser; its spend on radio has grown by 465% over the last decade and now represents around a quarter of total spend (compared with an industry average of c. 6%). The COI has recently invested in significant radio sponsorship campaigns to support its public work, such as 'The Big Quit', an anti-smoking drive, and 'Change4Life', the public health campaign, as well as smaller campaigns at a local and regional level.
22. We perceive a serious risk to Commercial Radio revenues if the BBC were to focus its efforts on securing a share of this sponsorship market. This risk is particularly acute in the current economic climate: Commercial Radio revenues are down c.20% in real terms over a five year period, and, at the end of 2008, Commercial Radio generated its lowest quarter of revenues for a decade<sup>5</sup>.

### **Non-BBC events**

23. Whilst outside the scope of the current consultation, we reiterate our concern about the potential market-distorting effects of the BBC entering into agreements with rights holders for non-BBC events which guarantees any level of exposure for the sponsors of those events.
24. Evidence submitted by RadioCentre predecessor body CRCA in May 2005 to the consultation on the Green Paper on BBC Charter Renewal<sup>6</sup> found that the value delivered to sponsors of events by exposure on the BBC sometimes outweighed the actual costs of the event sponsorship and that the BBC's coverage of the event, and resulting exposure given to the sponsor, was a factor in attracting a sponsor to an event.
25. We urge the BBC Trust to review BBC policy in relation to the exposure given by the BBC to

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<sup>4</sup> Source: RAB

<sup>5</sup> RadioCentre estimates

<sup>6</sup> Carat, Sponsor exposure on BBC TV <http://www.radiocentre.org/rc2008/documents/AppendicesforCharterReviewresponse.pdf>

sponsors of non-BBC events.

### **Reviewing the guidelines**

26. We recognise that it is difficult to predict with certainty how these guidelines will be interpreted by the BBC and how their implementation might impact on other broadcasters. We therefore recommend that the Trust should review the guidelines at least once every three years to assess whether they need updating. In addition, we believe the Trust should remain open to reviewing the guidelines sooner if exceptional circumstances arise.

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