

BBC Five Live Olympics Extra – draft service licence RadioCentre Response

INTRODUCTION

1. RadioCentre is the industry body for UK commercial radio. It exists to maintain and build a strong and successful commercial radio industry, and to help promote the value and diversity of commercial radio.
2. Founded in 2006 after the merger of the Radio Advertising Bureau (RAB) and the Commercial Radio Companies Association (CRCA), RadioCentre represents radio groups and stations from rural, small scale ventures, to household names serving major metropolitan areas. Its member stations together represent 90% of commercial radio listening.
3. Working with a range of stakeholders, RadioCentre works for the greater benefit of commercial radio, from lobbying on the industry's behalf with government, Ofcom and policy makers, to raising the profile of commercial radio with advertisers and their agencies, and of course, working with radio stations themselves, helping them maximise the potential of their businesses.

EXECUTIVE SUMMARY

4. RadioCentre supports the premise of the temporary digital station BBC Radio Five Live Olympics Extra as a unique service designed to maximise the public value of BBC coverage for the once in a lifetime event of the London Games in 2012.
5. The Olympics in London are undoubtedly of national interest. They are a major international event which will be the focus of the entire world and one of the most unique examples of "bringing the nation together", a public purpose of the BBC. As the sole rights holder for video and audio of the Games, RadioCentre acknowledges it is sensible for the BBC to give the Olympics full coverage on its television, online and radio services.
6. The BBC has deemed that the 'more comprehensive coverage'¹ necessary for London 2012 requires the creation of a new digital radio service for three weeks. Clearly a new standalone service is not the only solution to enhance coverage; due to the broadcasting capacity and financial backing that the BBC's current radio services already have at their disposal. However, we can see the advantages of this, particularly as a way to drive digital radio audiences.
7. This response will consider both the value of this service to the public, alongside the cost of the temporary station. Taking these factors into account, we feel the station has its merits in that it aims to provide a digital service that the commercial market is not seeking to deliver. It will undoubtedly contain content of value to the public that has a broad appeal and therefore attract audiences to the growing DAB platform.

¹ BBC Trust, *Decision on temporary BBC Service and offers for London 2012 Olympics*, August 2011, p. 3.
http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/radio/2011/five_live_olympics_extra_decision.pdf

8. However, while innovations and new services offered by the BBC in radio may not seem significant when measured against its overall operations, it always needs to be aware that it does not exist in isolation in the radio industry, and must be mindful of its wider market impact. Therefore, while we support this temporary service, this should not necessarily be seen as an endorsement for future services that it may seek to launch. These will similarly need to be examined on their merits, with due consideration to public value and market impact.

PUBLIC VALUE

9. RadioCentre broadly welcomes the creation of an Olympics Extra service in the context of the BBC undertaking a necessary public function, for which it appears the commercial sector did not have an appetite². The lack of interest in operating a service by a commercial operator does not mean that this service will not have distinctive value, and the BBC is to be credited for correcting this market failure (albeit that it is in an inherently stronger position to offer such a service, given its access to full broadcast rights for the Olympics).
10. Throughout the current service licence reviews, we have continued to emphasise our support for BBC Radio when it fulfills its public purposes. At their very best, BBC Radio services deliver huge public value, are much loved and held in high regard by the British public. When a BBC Radio service uses the scope of funding made available to its full potential by broadcasting a distinctive service which commercial radio cannot reproduce, we believe it strengthens the quality of the radio industry as a whole.
11. When there is potential for the BBC and commercial radio to offer complementary coverage of a given event or sporting fixture, we would favour this. We believe competition between the two sectors improves the overall standard of output and is good for listeners. However, we recognise that content sharing is not as straightforward with Olympic rights due to the terms of negotiation with the International Olympic Committee. We therefore believe there are merits in the BBC offering as wide a range of distinctive Olympic events as the licence-fee payer has an appetite for, and this includes digital services.

DIGITAL VALUE

12. Olympics Extra has a valuable role to play for digital radio. RadioCentre's response to the BBC Management's Strategy Review proposals stressed that the BBC has a responsibility to ensure that radio secures its digital future through an enhanced commitment to, and investment in, digital radio. A lack of funding and content on digital radio means it is currently failing to address this responsibility adequately.
13. As we communicated in our response to the Five Live and Five Live Sports Extra service licence review, in order to grow digital radio audiences we believe that the BBC must increase its investment in sustained and heavyweight promotion of digital radio, as well as ensure that a far greater volume of popular content is broadcast on a digital-only platform.
14. Major sporting events such as the London Olympics are therefore undoubtedly important in attracting audiences to DAB. The BBC and commercial competitors consistently recognise significant gains in audience whilst sporting events of such stature have been given extended live coverage and analysis. 42 million people are known to have watched at least

² John Plunkett, 'London 2012 Olympics radio station plan scrapped', 6 October 2010.
<http://www.guardian.co.uk/media/2010/oct/06/london-2012-olympics-radio>

15 minutes of the Olympics in 2008 despite the time difference³. The only other sporting event of similar stature, the most recent World Cup in South Africa in 2010, brought record audiences for both Five Live and TalkSport⁴.

VALUE FOR MONEY

15. The service licence for Radio Five Live Olympics Extra has been estimated as £200,000 before distribution costs. This has been presented as a relatively low cost, although over a year this level of funding would sustain a service costing nearly £3.5 million before distribution. This a minimal part of BBC costs for 2012/13, and it is a minute a percentage of the £638.9m the BBC dedicates to its annual radio budget. However, in contrast, this would be a fairly significant investment in content for any commercial radio business.
16. As we expect BBC Five Live Olympics Extra to be broadcasting from many of the same locations as Five Live and Sports Extra, it would be helpful to understand how the incremental £200k content budget is likely to be spent, and how much will be as a result of staff and talent costs. We would request that a greater transparency is given on these budgets so that licence-fee payers can determine if they are receiving value for money in this area. We note that the £200k does not consider distribution of the service, and it would be helpful to understand the extent of any further costs that are likely to be incurred.

MARKET IMPACT

17. RadioCentre welcomes the requirement of the BBC Executive to ask permission from the BBC Trust to launch the new temporary service, and would argue that the greatest possible scrutiny should be given to decisions on national radio given the size and scale of the BBC's footprint in the sector.
18. While it may not have been appropriate in this case, we believe it can be difficult to determine that a service will 'not represent a significant change to the BBC's UK Public Services'⁵ or have wider market implications without a public value test (PVT). We have in the past registered our concern that no PVT was applied to the repositioning of BBC Radio 7 as BBC Radio 4 Extra. Despite the Executive altering editorial policy to move away from children's programming in an explicit attempt to increase audience⁶, the Trust deemed a PVT unnecessary, because 'BBC management's fair trading assessment...concluded that this proposal is unlikely to have any significant negative impacts on competition.'⁷
19. A lack of scrutiny in radio market impact could create an impression that the BBC Executive has a disproportionate room to manoeuvre when it comes to altering its audio services. Therefore RadioCentre urges the utmost transparency and openness in reaching such decisions. While we support the presence of a Olympics focused digital radio network, due

³ Ashling O'Connor, 'BBC has high hopes for 2012 Olympics', 24 April 2009.

http://business.timesonline.co.uk/tol/business/industry_sectors/media/article6157188.ece

⁴ Mark Sweeney, 'Radio listening at record high as World cup and election lifts ratings', 5 August 2010.

<http://www.guardian.co.uk/media/2010/aug/05/radio-4-5-live-talksport-rajars>

⁵ BBC Trust, *Decision on temporary BBC service and offer for the London Olympics*, August 2011, p. 2.

⁶ BBC Executive, 'Submission to the BBC Trust's Review of Radio 3, Radio 4 and Radio 7 – Executive Summary', 12 July 2011, Annex B: Appropriate Regulatory approval, p. 7.

⁷ BBC Trust, *Service Review: BBC Radio 3, BBC Radio 4 and BBC Radio 7*

http://www.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/service_licences/service_reviews/radio_3_47/radio_347_final.pdf

to the public value in covering a once in a lifetime event, this should not be seen as a precedent for the launch of other similar Extra services if the BBC secures the rights to future sporting or music events.

CONCLUSION

20. It is important that the BBC features the Olympic Games as there is an obvious public appetite for coverage. As such, the launch of a standalone radio station for this purpose is broadly welcome. However, the BBC should also maximise its other considerable resources for the purposes of Olympic coverage; including the role of current radio services, and placing a greater proportion of content online.
21. We are pleased to note that the BBC is seeking to enhance the possibilities provided by its digital services. As outlined in its Strategy Review, the BBC has a responsibility to do all it can to ensure that radio secures its digital future. The focus on providing exclusive audio content on digital radio is a small but encouraging sign that it is seeking to deliver this objective.
22. Overall we still believe that BBC audio could be regulated more tightly and transparently. This is necessary to avoid a precedent where the Executive can alter its radio services as it deems fit without scrutiny, particularly given the possible wider market implications and current funding reductions being placed upon the BBC.
23. As part of these broader considerations the Trust should possibly re-examine how it evaluates changes to BBC audio services. It is important that the Trust is consistent and open in its ideals of what a 'significant change' to a service is, and that this definition is recognised by commercial services and the wider media industry. We therefore welcome recent commitments in the Chairman's Governance Review to work closer with Ofcom in such deliberations in the future⁸. However, we are content that the proposal to launch an Olympics service is unlikely to raise such concerns in isolation.

RadioCentre, September 2011

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⁸ BBC Trust, *Review of BBC Governance*, July 2011, pp. 9-11.

http://www.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/bbc_governance.pdf