

**WRITTEN RESPONSE TO THE CULTURE MEDIA AND SPORT SELECT COMMITTEE INQUIRY:
THE FUTURE OF THE BBC**

Introduction

1. Founded in 2006 after the merger of the Radio Advertising Bureau (RAB) and the Commercial Radio Companies Association (CRCA), RadioCentre represents a range of commercial radio groups and stations from rural, small scale ventures, to household names serving major metropolitan areas. RadioCentre's member companies operate 245 licensed stations across the UK, through 45 different businesses, which represent 90% of commercial radio in terms of listening and revenue.

Overview

2. Our experience of working alongside and competing with the BBC relates principally to its activities in radio, audio and music output. Therefore our comments will focus principally on these areas. It is also important to note that many of the fundamental, longer-term issues regarding the future of the BBC, which are raised by the Committee, are likely to require further consideration and analysis in the run up to the next Charter Renewal in 2016.
3. While we welcome this opportunity to begin scoping the contributions we will make to Charter Review before 2016, it does mean that this submission will only represent a series of headline responses and preliminary views. These are summarised below.
 - The BBC's radio services (particularly Radio 1 and Radio 2) should be more distinctive and take the opportunity to provide greater public value, rather than simply seek large audiences.
 - The growth in audience share of BBC radio services limits opportunities for diversity and distinctiveness and does not serve listeners well. In addition we estimate that the shift in listeners to the BBC since 1999 costs the commercial radio industry around £54m a year.
 - The BBC should tread carefully when considering commercial opportunities – and do more to exploit the possibilities of working with commercial media on technology projects.
 - The case for making licence fee funding available to other providers of public service content ('top-slicing') should be examined further.
 - BBC regulation and governance requires reform, to ensure it can provide a strong and consistent framework for the future.

What should the BBC be for and what should be the purpose of public service broadcasting?

4. Lord Reith's description of a broadcaster that should seek to 'inform, educate and entertain' retains a strong resonance and remains at the core of the BBC's six public purposes. Indeed, we would agree that this approach means that the BBC can be a strong force for good in broadcasting and content creation. In particular, the best of BBC Radio is amongst the finest radio broadcasting in the world. Many BBC radio programmes generate significant public value and are consumed by audiences in large numbers in the UK and beyond.

5. However BBC radio services also enjoy an extremely privileged position. The BBC has preferential access to the extremely limited national analogue radio spectrum, combined with significant levels of public funding; meaning that it dominates radio spending on content. Consequently the BBC's dominance is more pronounced in radio than in any other media sector; with the BBC's share of radio listening sitting at 53.4% compared to commercial radio at 43.9%.
6. The way in which the BBC uses such advantages is a crucial debate when considering the future of public service broadcasting. In practice the BBC should use its position to deliver a range of output most associated with public service broadcasting, which it is not economically viable for commercial operators to provide on a consistent basis. This means a well-resourced and impartial news operation across all platforms; investigative journalism; detailed and accessible current affairs programming; extensive arts coverage and specialist music output; children's programming; and support for social action and charitable causes.

How well has the BBC performed in the current Charter period in achieving its mission and public purposes?

7. Last year, independent research by Kantar Media for the BBC identified the Corporation was failing to satisfy licence-fee payers in several public service areas¹. RadioCentre believes that there is an opportunity for BBC Radio to play an important role in addressing this issue.
8. The current positioning of BBC Radio – specifically music output – is not to the best interest of all licence-fee payers. This is because the BBC has explicitly chosen to use its vastly greater spending power to grow audience of its flagship national music services Radio 1 and Radio 2 rather than invest in content which does more to deliver distinctive public service output.
9. Over the past decade, changes in audience profile have meant that Radio 1's average age has been gradually creeping up and now stands at 32, outside the remit laid down by the BBC Trust in its service licence; which states that it should serve 15-29 year olds. Radio 2's remit is to serve a 35+ audience, but the evidence suggests that it is focussing disproportionately on the younger audiences, and (along with Radio 1) super-serving the 25-44 demographic².
10. This has meant that BBC Radio has failed to fulfil its true potential of delivering a range and volume of distinctive public value programming to mass audiences in the most effective way. Instead, BBC Radio has increased its market impact by increasingly choosing to serve audiences that are most sought after by advertisers, and therefore the core focus of commercial radio.
11. If the BBC is to perform more effectively and achieve its true potential it needs to concentrate more on the public value content that cannot be provided by the commercial market. The BBC duplicating commercial radio content damages our industry financially, and lessens the choice for the licence fee payer. However if it acts to maximise the public value of its radio portfolio, this reduces duplication between PSB and commercial content, provides a better range of choice for listeners and reduces the market impact of the BBC.

Are the public purposes in the current Charter the right ones? How might they change?

12. As noted above, we are not in a position to debate the broader mission and public purposes of the BBC at this point. However, we do believe that the Committee (and ultimately the

¹ Kantar Media, [Purpose Remit Tracking Study 2011-2012](#), July 2012.

² [RAJAR](#) analysis.

Government) should consider how these purposes are interpreted by the BBC, and the way it is held to account through appropriate regulatory and governance arrangements.

13. Whilst it is true that the best of BBC Radio output is unique and brings significant value to audiences, there is an opportunity for the BBC to offer much more incremental public value than it has delivered during the current Charter period. In particular the BBC has not done enough to genuinely reach out to younger listeners, older or more specialist audiences. It should consider a more radical shift in the focus of its most mainstream radio stations – Radio 1 and Radio 2 – in order to address these shortcomings.
14. A key method of overseeing the performance of BBC services is compliance with conditions in their service licences. The review of the service licences offers the only significant means that RadioCentre and other external organisations can contribute to a debate on BBC content. These reviews are a welcome improvement on the previous regulation of BBC services, but they often suffer from imprecise and unquantifiable targets (which ultimately make it very difficult to judge the overall performance of a service) and consequently fail to maximise public value.
15. Apart for the Charter and public purposes, service licences are the only explicit written commitment the listener has from a BBC station, and there should be requisite detail to ensure terms are sufficiently met. We believe that the inclusion of tighter, more demanding public service targets in BBC Radio service licences, specifically Radios 1 and 2, would significantly increase the public value generated by the BBC. To date, the Trust has not demanded this, and has instead largely endorsed the current populist direction of the BBC's radio services.
16. Public purposes need to be implemented more effectively by the Trust, and sanctions imposed if they are not. The conditions and targets laid out in service licences are ultimately worthless if they are not monitored, enforced and accompanied by sanctions. The sanctions currently available to the BBC Trust, should a service licence be breached, are not widely understood or communicated.
17. In future we believe that the Trust (or any future regulatory body) must be much more ambitious in its approach to ensuring the BBC is delivering the public purposes. A body funded by public money – complying with public purposes – should strive to be setting an example in broadcast governance. BBC Radio stations should have greater scrutiny placed on them than commercial rivals, not less.

What scope, scale and remit should the BBC have?

Should the BBC's output and services be provided to any greater or lesser degree for particular audiences?

What balance should be struck in what the BBC produces in-house, commissions externally and leaves entirely to others to create?

18. In radio the BBC has spending power that far exceeds that of commercial operators. Ofcom estimates that the total UK radio industry was estimated to be worth £1.193bn in 2012³. The BBC's spend on around 50 stations was £721m (or 60% of this total market), with significant cost savings from the sharing of central resources across the BBC. The remaining £472m (or 40%) of commercial revenue came from around 350 stations.

³ Ofcom, [The Communications Market 2012: Radio and audio](#), July 2012.

19. There is therefore a significant and growing disparity in relative spending power in radio. Commercial radio revenue is now 35% less than the BBC's income, a gap that has risen from around 10% in 2004. This disparity exists even though the commercial sector supports seven times the number of radio stations and is required to fund significant sales and marketing operations. This financial advantage can result in distinctive programming, but in some cases the output is too similar to that provided on commercial radio, and this huge disparity in spending power between BBC and commercial radio distorts the market.
20. It is hard to avoid the conclusion that much of the BBC's growth in listening share in recent years has come at the direct expense of the commercial sector. This in turn has an impact on the profitability and viability of commercial radio. Indeed we estimate that the overall migration of listeners from commercial radio to the BBC since 1999 now costs the industry around £54m a year⁴. This loss to commercial radio accounts for a significant proportion of the decline in commercial radio income over this period.
21. Given the disproportionate importance of listeners in the 25-44 age bracket⁵, the shift that has occurred due to changes at Radio 1 and Radio 2 since 1999 accounts for the largest proportion of this loss, to the tune of around £44m a year⁶.
22. This conservative estimate does not take into account the proportion of listening to these stations by this age group that existed prior to 1999; it is purely the cost of the expansion of these audiences, which occurred despite the obligation to serve audiences outside this group contained in the service licences.
23. These are significant sums of money for a commercial sector that has been loss-making overall in recent years and has only recently moved back towards profitability (by relatively slim margins). Moreover it will continue to have a negative impact on the commercial sector for each year into the future unless the trend is reversed, potentially working against the interests of licence fee payers by constraining viability and the diversity of stations available.
24. Future scope for BBC Radio should therefore focus on producing content for audiences that are more difficult to reach and harder to monetise for commercial operators. This means attracting the youngest audiences to ensure they engage with radio at an early age, ensuring that there is a better range of output for older audiences (65+) on national networks and better reflecting the diverse UK audience by more effectively and efficiently reaching minority groups.
25. In practice, this means redeveloping Radio 1 as a youth-focused, music and speech based service. Its core remit should be to play and break new UK bands, not just play new songs by established artists. News, documentaries, social action campaigns, advice programmes and other current affairs output must be scheduled to maximise their public value. It should focus on serving audiences under 25 years of age, with a significantly greater focus on teenage listeners.

⁴ RadioCentre analysis - Based on BBC's total increase in share of hours of 4.7 percentage points for 15+ listeners between 1999 and 2012 being exclusively at the expense of the original commercial radio share of 47.8 (so 9.8% as a proportion of this) – and this 9.8% loss being applied to the proportion of commercial radio gross revenue ([£552m in 2012](#)).

⁵ Around 75% of total revenue according to industry estimates.

⁶ RadioCentre analysis - Based on Radio 1 and Radio 2's combined increase in share of hours of 6.5 percentage points in the 25-44 age group between 1999 and 2012 being exclusively at the expense of the original commercial radio share of 61.3% in 1999 (so 10.6% as a proportion of this) – and this 10.6% loss being applied to the proportion of commercial radio gross revenue aimed at 25-44s, which available evidence suggests is around 75% (£414.5m in 2012).

26. Radio 2 should place much greater emphasis on serving the needs of older listeners, specifically in daytime music choice and the scheduling of programmes. There must be much greater investment in high quality, distinctive programming in daytime that promotes the BBC's public purposes in a manner that appeals to older audiences, and a presenter line-up which reflects these aspirations; not simply white male TV personalities in their mid-forties.
27. By definition, focusing on more targeted audiences will mean that the scale and size of the BBC's footprint should reduce. This is not intended to limit the BBC to being only a reaction to market failure (by providing content that it is difficult or impossible for the commercial sector produce), but it is an opportunity to shift the emphasis of its mainstream services to enhance public value.

How have the BBC's commercial activities during the current Charter fitted with the BBC's public purposes and have they achieved an adequate return for licence fee payers? What should be the aims, scope and scale of such activities beyond 2016?

28. There is clearly a value for licence fee payers in commercial activities. The BBC's commercial arm, BBC Worldwide, offers a valuable revenue source to support the licence fee, and is important in creating international demand for British media output. However, the BBC should operate with more caution regarding the range and scale of activities it undertakes in the UK market; where it often operates without consideration of commercial issues or wider audience trends.
29. To external observers, it appears that content decisions are sometimes reached without any consideration of wider market impact, despite clear guidelines that require these matters to be taken into account. Expansive decisions from the Executive, although often bold and exciting, do not consider how a short-term decision may have wider long-term implications on competition or wider UK media industry.
30. For example, BBC Radio dominates the UK podcast market partly because of an early move into the electronic audio space without consideration of how this may limit commercial opportunity and choice. In other areas the BBC has arguably over-extended itself into new areas, such as when it paid £130 million for Lonely Planet, which it subsequently sold at an £80 million loss.
31. With the recent announcement of a new digital music streaming service Playlist, commercial radio continues to be concerned that the opportunities for collaboration (as well as potential market impact on UK radio) still do not appear to be priorities considered ahead of the launch of recent new products and services emerging from the BBC.
32. The BBC must be more cognisant of wider market implications and opportunities when attempting to expand into new areas in the future. This impact and the potential to work in collaboration with other UK media companies should be a more important motivation when the BBC considers how to amend the scope and remit of its services.
33. The BBC is also in the privileged position of being able to cross-promote content across its 56 radio stations, 10 television channels as well as an increasingly popular online presence; that encompasses several apps and the BBC website – the latter being the third most popular Homepage in the UK.
34. The BBC has a responsibility to ensure that any cross-promotion targets only specific public service radio programming that would otherwise gain little exposure. The promotion of

programming of limited public value appears to only be in attempt of further extending the reach of BBC popular music services, to the detriment of commercial competitors.

What role should the BBC play in developing technology and new ways of distributing content?

35. Since the BBC began radio broadcasting in 1922, and launched the world's first regular television service in 1936, the Corporation has always looked to be the UK leader on every new platform available. It is right that in the age of multiplatform content that the BBC continues to seek out licence-fee payers on the medium they reside.
36. However, RadioCentre continues to believe that as a public service broadcaster, the BBC's expansion into these areas should first and foremost be as an enhancement and extension to its broadcast role, and secondly be as a pioneer of new technologies which commercial providers cannot afford to test and develop in the same way.
37. The BBC has a public purpose remit to bring new communications technology to audiences, and this should include working with commercial media. Indeed we agree that it is important to continue to collaborate on technology, whilst competing on content with our BBC counterparts. Radio is a small industry and needs to co-operate where possible in the face of other audio services.
38. The success of Radioplayer is an example of the important role the BBC has in supporting the wider UK creative economy. Radioplayer allows listeners to discover and listen to live and on-demand radio from any Ofcom licensed UK radio station. It now attracts an average of 7 million listeners each month, has launched free phone and tablet apps, and the technology is now being licensed overseas. The common data and interface model that Radioplayer employs could also be hugely valuable for radio providers to develop connected technology in cars and move forward with internet hybrid radio.
39. The subsequent launch of a new BBC iPlayer Radio app, only one week after the Radioplayer equivalent (but developed and marketed with significantly greater resources) seemed to undermine this work. The on-air publicity and branding afforded to the BBC's own app meant that by December 2012 it had been downloaded 10 times more than Radioplayer⁷. This application therefore severely limited the impact of an innovation developed in partnership with commercial broadcasters.
40. The launch of iPlayer Radio is an example of when the BBC could be more aware of its own market impact and the damage it can do to commercial operators. It entered a congested emerging market, invested time and resource into developing an app that offers access to its radio services in the same way as one which already existed (and it had developed in partnership with commercial operators).
41. iPlayer Radio also illustrates a wider problem: a lack of obligation for the BBC to provide links out to commercial content. Users accessing iPlayer Radio and BBC Online still find it very difficult to access and find commercial equivalents within these platforms. Instead they are being locked into BBC-specific content.
42. As mentioned above, the BBC launched Playlister recently, which will allow music listeners to formulate their own music playlists using tracks they have experienced on the BBC. These tracks

⁷ BBC Media Centre, ['Over one million downloads for BBC iPlayer Radio app'](#), 13 December 2012.

can then be listened to in full using one of the partner music services: Spotify, YouTube or Deezer. Developing and owning a proprietary system of this nature, without any discussion regarding the possible involvement of other UK broadcasters, is a further example of the little consideration the BBC gives to its commercial counterparts in this space.

How should the BBC be funded beyond 2016?

Is there a case for distributing funding for public service content more widely beyond the BBC?

What comparisons can be made with the provision of public service content in other countries?

43. While we are not aware of a compelling alternative to licence fee funding at this stage, we remain open-minded on future funding models for the BBC. No doubt Government and Parliament will consider much more detailed work and analysis on this issue in the run up to the next Charter and we have little to add to this debate at this early stage.
44. That said there would seem to be a growing case to consider the possibilities of distributing licence fee funding for public service content beyond the BBC. Indeed as part of the last licence fee settlement with Government a proportion of the BBC's funding was provided to fund the World Service, S4C in Wales and the new Local TV services. We believe that it is worth examining the case for extending this 'top-slicing' approach to other public service programming in the future. This position was supported quite powerfully in recent months by the former head of BBC Television News⁸.
45. Indeed, a similar PSB fund is something which is already being considered and put into practice in other European Union states. Ireland is currently consulting on changes; Finland and Iceland have moved to fund PSB via direct taxation, ring-fenced for the specific purpose of funding PSBs; whilst Germany introduced a new top-sliced household based broadcasting fee on 1 January 2013 and Switzerland is currently passing legislation to introduce a similar fee⁹.
46. In the UK there would need to be very careful consideration of the process for allocating such funding; the amounts available; and the type of content or projects that would qualify. However, it is at least conceivable that commercial radio companies could be recipients of the licence-fee funding in future to support the production of public service content that the stations provide. In a recent audit by RadioCentre, we discovered that on average a commercial station already broadcasts an average of 10 hours 21 minutes of public value every week. It seems to us that there is a valid debate to have regarding the future funding of this and other types of public service content in the years ahead.

How should the BBC be governed, regulated and held accountable beyond 2016?

In a constantly evolving communications environment, does a 10-year Royal Charter and Agreement with the Secretary of State, together, provide the most appropriate constitutional framework for the BBC?

47. RadioCentre believes that significant and worthwhile changes to the regulation of the BBC could be made initially within the current regulatory framework. However, in the long-term, in order

⁸ Roger Mosey, '[A smaller BBC would be good for audiences](#)', *The Times*, 8 November 2013.

⁹ Federal Office of Communications (Switzerland), '[Change in level of reception fee](#)', 13 August 2013.

to bring better value for licence-fee payers, the regulatory (and, of necessity, governance) framework within which the BBC operates must change.

48. We do not believe that it is the place of RadioCentre to comment in too much detail on the structure that should replace the existing governance and regulatory framework. However, there may be a case for considering a single body having responsibility for the day-to-day regulation of the BBC. Some commentators have suggested that this could involve greater power being handed over to an impartial third-party such as Ofcom, or a strengthened, more transparent and more independent incarnation of the 'BBC Trust'. Yet even without such radical change, the current governance measures could still be improved significantly from how the Trust operates them at present.
49. For example, the BBC Trust's process of reviewing service licences could be used more effectively to do more to ensure its TV and radio stations are better positioned to deliver the BBC public purposes and consider the wider market impact and the needs of licence-fee payers. In particular there is considerable scope for improvement in areas of specificity, ambition and requirements. Licences should provide better guidance and set more specific parameters for stations' identities than they currently do. Many ideals are well intentioned, but much of the public service message of BBC Radio is lost due to the vague language used within service licences by the BBC Trust.
50. In addition it appears that the BBC Trust has limited capability to respond to incremental changes in BBC services. Incremental service expansions (for example, the gradual attempts to move Radio 3 towards a more mainstream audience or attract younger listeners to Radio 2) are not subjected to an appropriate level of public consultation and analysis, with the Public Value Test reserved solely for the launch or closure of a service.
51. On the broader question of the appropriateness of a 10 year Charter Review period, we are concerned that this lacks the adaptability necessary for a modern multimedia organisation like the BBC. When the Committee analyses Charter Review periods, it would therefore be useful to consider more strategic discussions on uses of technology in future, and the problems which occur when attempting to regulate rapidly expanding technologies.

RadioCentre, December 2013

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