

## RADIOCENTRE RESPONSE TO BBC TRUST REVIEW OF SERVICE LICENCES

### 1. About RadioCentre

- 1.1 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.
- 1.2 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 per cent of commercial radio listening.
- 1.3 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.

### 2. Executive Summary

- 2.1 **Service licences are important tools for effective BBC governance.** BBC broadcast and online services are some of the best in the world, and deserve a governance structure which is equally noteworthy. A publicly funded BBC should not just lead the way in content, but also in strategy and planning. Regular consultation upon these licences helps ensure that they strive to be more appropriately aligned with BBC public purposes, the wider market and the needs of licence-fee payers.
- 2.2 **Service licences are still too broad in their language and construction.** Whilst we support the Trust striving for a more efficient and streamlined governance framework, we do not believe that this should mean greater simplification in service licences. Licences are the only written commitment the listener has from a BBC station, and there should be requisite detail to ensure terms are sufficiently met.
- 2.3 **The requirements placed on BBC Radio services are still not as prescriptive as commercial radio equivalents.** RadioCentre believes that a dedicated governing body funded by public money 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. In order to readdress this balance, the Trust should monitor station output more closely than it currently does, and instigate sanctions on under-performing stations.
- 2.4 **Service licences for the BBC Radio portfolio should be readdressed to include more tangible and quantifiable targets.** Conditions are the only measurable targets within licences, but many lack appropriate metrics or clarity of purpose. We believe more prescriptive service licences than those currently available would guard against this. Increased accuracy would be beneficial to the Trust, listeners and stakeholders alike in acknowledging what they should expect from a service; and allow Management to operate more effectively in construction of stations that are more aligned with public purposes.

### 3. Overview

- 3.1 An open and transparent public broadcaster should have an open and transparent process of evaluation for its services. RadioCentre continues to welcome the opportunity to comment on BBC services through service licence reviews, and the opportunity to contribute to this consultation. We believe that it is critical that the BBC Trust continues to strive to ensure that as much information as possible regarding its services is in the public domain and accessible.
- 3.2 We acknowledge that the BBC Trust has identified three specific areas it believes are in scope for change to the service licences in order to help streamline governance:
- The number and breadth of 'key characteristics' in each licence;
  - The 'numeric conditions' included in each licence; and
  - How the current system reflects BBC's provision in each nation.
- 3.3 We note the Trust does not intend to make any changes to specific service licence remits for BBC Radio. Whilst we understand that the Trust believes specific licence changes are not be in scope of this consultation, there are areas which RadioCentre has previously examined during the service licence process which we would like to re-visit in order to further illustrate areas where service licences could improve. To this end, we will primarily refer to BBC Radio services in this response.
- 3.4 **Providing BBC Management with a guide should be a priority.** Licences should provide sufficient guidance and set reasonable parameters for stations' identities in order to act as a contract for how a service should be administered by BBC Management.
- 3.5 Whilst service licences have undoubtedly benefited from the revisions implemented by the Trust during the recent round of consultations, we believe there is still considerable scope for improvement in areas of specificity, ambition and requirements. We will comment on these issues in more detail below.

### 4. Service licence obligations are important

- 4.1 **Service licences continue to hold significant value for BBC governance and the development of BBC radio services.** Since the BBC Trust began operating in 2007, RadioCentre has experienced a considerable degree of interaction and developed an effective working relationship with the organisation, most significantly through the service licence review process.
- 4.2 The current system of governance represents a more efficient and transparent approach than the approaches adopted under the previous BBC Governors system, and the service licences have become an important tool for Trust governance of the BBC. We understand that the process of service licence review is not in scope of this review, but generally believe the review and consultation periods have been sensible and improved the distinctive public value of BBC Radio for the better.
- 4.3 **The *progress report* document<sup>1</sup> released alongside this consultation emphasises the differences service licences have already made** to more closely align BBC Radio services

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<sup>1</sup> BBC Trust, [Service Reviews: June 2012 progress report](#).

with the BBC public purposes. Indeed, RadioCentre would advocate more regular reports of this nature in line with the quarterly updates BBC Management supply the Trust. This would be useful in both documenting developments of BBC services between service reviews, but also in emphasising the Trust's role in furthering a culture of transparency and openness for BBC services.

- 4.4 RadioCentre has been particularly encouraged that the *progress report* emphasises the Trust's continuing focus on Radio 1 introducing measures to lower its average age and for Radio 2 to further investigate reasons for the decline in its audience over 65<sup>2</sup>. Recent Trust service licence review conclusions have similarly acknowledged enhancing the distinctive output of BBC stations as a priority for Management; with Local Radio in England and the Nations maintaining speech commitments, whilst the 5 Live conclusions acknowledged the station should focus on news and minority sport more than it currently does.
- 4.5 We welcome the Trust's continuing prioritisation of quality content in this consultation by proposing placing 'Quality before Reach, in line with the BBC's reprioritisation of performance drivers' in the annexes of service licences. We hope this will be a commitment which has a tangible impact on BBC Radio. We have in the past felt that the BBC was preoccupied with increasing reach, and that the quality of BBC Radio may have suffered as a result.
- 4.6 A number of BBC Radio service licences still prioritise the contribution made to a 90% national reach, rather than focusing on quality programming for their target audiences. In our submission to the *BBC Young Audiences* review, we suggested a re-evaluation of the BBC's 90% reach target in service licences so that stations could focus upon reach amongst their target audience *only*. Whilst this has changed for the majority of music services, there is further scope to standardise this approach across BBC Radio.
- 4.7 We look forward to the above changes proposed by the Trust precipitating further output which caters to the public service needs of the licence-fee payer, and hope that this will be reflected in the next Service Review progress report.

*Recommendations:*

- The BBC should seek to publish a standardised Service Review progress report on a more regular basis than current proposals, in line with updates the Trust receives from BBC Management.
- The Trust should further prioritise quality before audience reach in service licences.

**5. Service licences lack clarity**

- 5.1 Whilst service licences evidently represent a vast improvement on the previous regulation of BBC services, they often suffer from imprecise and unquantifiable targets which ultimately make it difficult to judge the overall performance of a service.
- 5.2 We have commented in the past that service licences already tend to be overly ambiguous and provide too much flexibility for the BBC to expand and change the role of key stations. This has the potential to undermine the clarity of purpose of stations and, when combined

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<sup>2</sup> *Ibid*, pp. 7-9.

with the BBC's very large spending power and cross-promotional strengths, to impact on the broader market.

- 5.3 **More specific and explanatory licences are more appropriate for BBC services** in order to provide a better understanding of what they should deliver and how they will seek to provide distinctive content for licence fee payers. RadioCentre therefore concurs that the proposed reductions in the length of footnotes regarding characteristics and budget explanations proposed in the consultation are appropriate, but we feel that the Trust should be more prescriptive in the main body of service licence text than currently.
- 5.4 The service licences, and in particular their 'conditions', are insufficiently precise to enable either effective regulation by the Trust or certainty of decision making by management. RadioCentre appreciates that the Trust has a role limited to guiding BBC output, and should not attempt to dictate the editorial decisions of individual services. However, licences would benefit from the introduction of more quantifiable and specific targets for stations that reflect public purpose priorities better.
- 5.5 **Service budgets are a cornerstone of governance and should be more accurate in service licences.** Currently, listed budgets do not represent the actual spend of stations, as they fail to list the distribution and infrastructure costs for radio services and explanation as to which parts of radio budgets are charged centrally. The Trust should issue services with numbers that more effectively reflect the cost of delivering the public purposes. Further expanding these figures would make BBC spend clearer in the public space, which in turn would help avoid the sometimes speculative figures which appear in the media<sup>3</sup>.
- 5.6 We note that the method for measuring value for money of BBC Radio services remains cost per listener hour. RadioCentre and the National Audit Office have criticised this as an effective measure of efficiency in the past because it encourages services focus on reach rather than depth of content. It is critical that when budget savings must be made these come from areas of inefficiency, rather than cutting the volume and depth of programming with high production costs (especially when this programming generates high levels of public value).
- 5.7 **All BBC Radio service licences should contain a specific target age range**, in order to ensure maximisation of public value and avoid duplication with the commercial sector. Despite an ageing UK population, Radio 2 has recently been identified as losing older listeners by the Trust. We believe this is in no small part due to a target age range of 'all age groups over 35'<sup>4</sup>, which is far too broad for the service, and infringes on the commercial market.
- 5.8 When RadioCentre responded to the Trust Review of Radio 2 and 6 Music, we highlighted that the Radio 2 Service Licence was so broad it could be interpreted to apply to several commercial equivalents. Indeed, taking the Radio 2 service licence by the letter, our study showed that even the service provided by commercial stations as diverse as Kiss and Magic could meet most of the broad conditions of the Radio 2 service licence. This remains the

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<sup>3</sup> See Tara Conlan and John Plunkett, ['BBC local radio executive challenges Mark Thompson over cuts'](#), Guardian, 14 October 2011; and Paul Revoir, ['BBC flouts its bonus ban with payouts of £275,000 to four top managers'](#), Daily Mail, 17 January 2012.

<sup>4</sup> BBC Trust, [Radio 2 Service Licence](#), May 2012, p.1.

case because the Radio 2 service licence only specifies how much 'new', not how much 'old' music the station must broadcast.

- 5.9 **The inconsistencies in service licences are both thematic and grammatical.** The service licence for Radio 2 outlines its music policy on three separate occasions (in the 'Remit', 'Overview' and 'Contribution to public value' sections), using different language on each occasion, and placing emphasis on different areas of priority. We have similarly identified that Radio 1's service licence uses three separate terms to describe its audience in its opening four sentences<sup>5</sup>.
- 5.10 The Trust should further outline musical quotas and terminology in the BBC's music radio licences. There is ambiguity about the meaning of the term 'UK acts' as it appears in both the Radio 1 and 1Xtra service licences. The commitment to 'at least 40% of the music in daytime'<sup>6</sup> on Radio 1 is similarly ambivalent, as there is no explanation outlining whether this should be measured tracks or total plays.
- 5.11 **The Trust being unwilling to prescribe when content should be broadcast within respective licences is detrimental to the public purposes.** In examining the programming of BBC stations over the review period, we have consistently found that content rich in public purposes is generally scheduled at times when audience levels are low. This enables the BBC technically to meet the conditions of the service licence whilst prioritising mainstream entertainment programming in peak time and daytime.
- 5.12 The maximisation of public value should be a BBC priority at all times. RadioCentre was extremely disappointed that in reviewing the service licences of Radio 1 and 1Xtra, the BBC Trust appeared to accept that 'tactical scheduling' of documentaries and speech output was legitimate<sup>7</sup>. The policy of generating listening 'scale' during peak listening times in order to drive listening to public purpose elements off peak is at best an ill proven one.

*Recommendations:*

- The proposed reductions in the length of footnotes regarding characteristics and budget explanations proposed in the consultation are appropriate, but further detail should be written into the main body of service licences.
- All BBC Radio service licences should contain a specific target age range, in order to ensure maximisation of public value and avoid duplication with the commercial sector.
- The Trust should issue services with budgets that more effectively reflect the cost of delivering the public purposes by including estimated distribution and infrastructure costs in the service licence.
- The Trust should consider how it might encourage the BBC to make better use of scheduling to broadcast more public service content at peak times.
- It is sensible to use Appreciation Indexes (AI) in service licences as part of the performance measurement framework as proposed in the consultation.

<sup>5</sup> Defined as "young listeners", "15-29 year olds" and "young adults" (implies 18+) respectively. BBC Trust, [Radio 1 Service Licence](#), May 2012, p. 1.

<sup>6</sup> Ibid, p. 4.

<sup>7</sup> BBC Trust, [Review of Services for Younger Audiences](#), June 2009, p.57.

## 6. Service licences lack aspiration

- 6.1 The advent of the Trust in 2007 meant that the original BBC Radio service licences overly reflected what a service was at the time of Trust conception, rather than prescribed what it should be in the future. Although the service licence process has meritoriously modified licences since it began, RadioCentre believes licences still do not help to lay out the future path for how a station should proceed as effectively as they could.
- 6.2 Service licences offer inspiring rhetoric about what a service might be, but the conditions in licences do not always match this aspiration. The Radio 2 service licence, for example, describes a worthwhile public service broadcaster, meeting commitments to its listeners head-on with high quality and diverse music, arts, social action, educational, religious and political content appealing to all age groups over 35, but (as discussed at 5.7 above) the licence conditions do not reflect such aspirations.
- 6.3 **Whilst we appreciate the importance of creative control for BBC stations, it should not be to the detriment of the public purposes or wider market.** Many ideals are well intentioned, but much of the public service message of BBC Radio is lost due to the language used within service licences. It is understandable that station management interpret licences independently because licences contain more sweeping rhetoric than identifiable targets, which means there is not always effective guidance from the Trust as to what a station should be.
- 6.4 The Radio 3 service licence states that it 'should build appreciation of music and culture by offering accessible information, including material helpful to people with little knowledge of classical music.'<sup>8</sup> This is linked with the BBC's role in educating the public. Station management has instead interpreted this instruction to introduce a 'lighter' repertoire – including increased airplay for film soundtracks – combined with a reduction in specialist daytime programmes exploring particular areas and genres of music, which was previously core content for the station. The content change has been acknowledged by listeners, with many turning away from the station as a result<sup>9</sup>.
- 6.5 **Many service licence conditions reflect a continued lack of ambition to prioritise public service radio broadcasting.** Radio 1 is instructed to 'broadcast at least 40 new documentaries each year'<sup>10</sup> and Radio 3 'broadcast at least 30'<sup>11</sup> but there are no requirements on the length, subject matter or scheduling of these documentaries. Similarly, 5 Live and Radio 2 continue to focus disproportionately on celebrity gossip and popular music shows as part of their respective *news* targets.
- 6.6 Even when stations are meeting public service requirements acceptably, the Trust has not always demonstrated a willingness to enhance their public service requirements. RadioCentre research indicated that BBC Local stations are currently performing well within the boundaries of speech requirements set in the service licence. We recommended that it would therefore be appropriate to acknowledge this by increasing the required speech

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<sup>8</sup> BBC Trust, [Radio 3 Service Licence](#), May 2012, p. 5.

<sup>9</sup> John Plunkett, '[Radio 3 suffers biggest BBC radio audience fall](#)', *Guardian*, 27 October 2011.

<sup>10</sup> R1 licence, p. 5.

<sup>11</sup> R3 licence, p. 5.

content of Local Radio in the service licence and challenge the service to be even more distinctive from commercial services.

**6.7 RadioCentre would argue that the combination of commercial radio format requirements, licence conditions, regulatory and legislative requirements mean that commercial services have more prescriptive conditions imposed upon them than their public service equivalents.**

6.8 For example, the Capital FM licence, along with local commitments, states that news should be 'at least hourly during peak-time weekdays and weekends'<sup>12</sup>, whilst Radio 1's news commitment is only 'at least 1 hour of news during daytime each weekday, including two extended bulletins'<sup>13</sup>. Similarly, KISS has commitments to 'identifiable specialist music features for at least 36 hours per week'<sup>14</sup>, but 1Xtra has no specialist music requirements conditions, only needing to ensure '60% of the music played on the station in daytime is new'<sup>15</sup>.

**6.9 Greater consideration must be given to the wider market within service licences.** Acknowledging the specific place of a station within a market is something all commercial stations must undertake when applying for a licence and the BBC should be just as attuned to these pressures. Rather than purely seek to minimise market impact, it must be a central motivation when the BBC considers how to amend the scope and remit of its services.

6.10 Maximising the public value of the BBC Radio portfolio reduces duplication between BBC and commercial radio, and therefore reduces the market impact of the BBC. Service licence reviews currently omit the consideration of market impact largely because service licences do not include reference to it, despite the recent BBC Strategy Review acknowledging the BBC needs to take 'a precautionary approach to market impact, within existing as well as proposed new services'<sup>16</sup>.

*Recommendations:*

- Conditions in licences should be more specific by using measurable metrics.
- The Trust should seek to alter service licences to further challenge BBC services to increase their contribution to BBC public purposes when appropriate.
- Service licences should contain a section which acknowledges the market impact of a service, in line with the BBC Agreement.

**7. Service licences lack enforcement measures**

7.1 Although BBC licences have conditions, there continues to be a lack of explanation from the Trust as to what would happen if these conditions are not met. More transparency is required regarding the pressure the Trust is applying on stations to meet licence requirements.

<sup>12</sup> Ofcom, [Capital FM London licence](#).

<sup>13</sup> R1 licence, p. 5

<sup>14</sup> Ofcom, [KISS 100 licence](#).

<sup>15</sup> BBC Trust, [Radio 1Xtra Service Licence](#), May 2012, p.4.

<sup>16</sup> BBC, [Strategy Review](#), March 2010, p16.

- 7.2 **There are many requirements within licences which cannot be appropriately quantified.** It is admirable to state that all services should be ‘high quality and innovative’<sup>17</sup> but if there is no precise and objective measurement of what makes a service *high quality* then this cannot be guaranteed, maintained, or corrected if a service is performing to the contrary.
- 7.3 RadioCentre believes using Appreciation Indexes (AI) as part of the performance measurement framework as proposed in the consultation<sup>18</sup> is an important step. The opinion of listeners should be paramount in BBC evaluations of services, and should be included when evaluating if a service is meeting its conditions effectively.
- 7.4 At present the principal assessment of how a BBC service is performing comes from measuring how closely it sticks to the conditions in its service licence. It is stated that ‘the Trust uses service licences as the basis for its performance assessment’<sup>19</sup> in the consultation itself. These conditions are the only precise metrics against which the station’s output can genuinely be planned and, vitally for the Trust, against which performance can be measured.
- 7.5 **The sanctions available to the BBC Trust, should a service licence be breached, are not widely understood or communicated.** RadioCentre has continually advocated the necessity introducing a form of sanctions for underperforming BBC services. The conditions and targets laid out in service licences are ultimately worthless if they are not monitored, enforced and accompanied by sanctions. Proposals approved by the Trust need to be implemented effectively, and sanctions imposed if they are not.
- 7.6 Although the *progress report* document highlights welcome developments in services, it is also emblematic that effective pressures still do not exist. That it took Radio 1 three years to make substantial schedule changes in a direct attempt to tackle its overly high average listener age is an example of this. It appeared a change of leadership – rather than Trust pressure – was the single main catalyst, and this can be attributed to a lack of enforcement of licence conditions.
- 7.7 **BBC Management should be more explicitly guided by service licences remits.** Whilst we appreciate that licences have a responsibility ‘to provide certainty for audiences and stakeholders as to what each BBC service should be providing,’<sup>20</sup> we are concerned that they are not being effectively utilised as an internal management tool. It appears implicit that meeting service licence recommendations are part of managerial remit in examples as that mentioned above, but this relationship should be emphasised and extended.
- 7.8 RadioCentre recommends that service licences should be used as a tool for evaluation of Station Controller performance, and any bonuses payable to incentivise management must include measures that ensure that these services are meeting licence conditions accordingly. Licences are the public facing job descriptions of BBC Management. Controllers are responsible for shaping the output of BBC stations in line with public purposes set out in service licences. It is therefore appropriate that a publicly funded position should be measured against the public document which sets out the responsibilities of that position.

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<sup>17</sup> R1 licence, p. 8.

<sup>18</sup> BBC Trust, [Review of Service Licences](#), June 2012, p. 7.

<sup>19</sup> Ibid, p. 5.

<sup>20</sup> Ibid.



- 7.9 Whilst we acknowledge that both the BBC Management and the Trust have Editorial Complaints units, we feel there should be scope for content sampling approach at regular intervals in order to monitor station (and therefore management) performance against service licence remits. Ofcom regularly monitors commercial output to ensure that the 300+ commercial stations are sticking within their remits, and RadioCentre recommends the Trust should consider undertaking the same practice for the 56 BBC stations under its jurisdiction.
- 7.10 RadioCentre's April 2007 response to the BBC Trust's review of the service licences suggested that timescales used to measure performance against specific conditions should vary to reflect the frequency with which different types of content are consumed. For instance, live events targets could be set and assessed on a yearly basis, whilst news coverage would need to be considered on a daily basis. An acknowledgement of these measurements should also be incorporated into service licences.

*Recommendations:*

- The Trust should examine ways of sanctioning under-performing BBC services.
- The Trust should regularly evaluate BBC services to ensure the content being produced is in line with service remits. This should be undertaken pragmatically to reflect how and when content is consumed.
- AI scores should be used when examining the performance of BBC services.
- Service licences should be used as a tool for evaluating management performance, and integrated into Station Controller appraisals where appropriate.