

## **RADIOCENTRE RESPONSE TO THE BBC TRUST CONSULTATION ON 'DELIVERING QUALITY FIRST'**

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## 1. EXECUTIVE SUMMARY

1.1 This summary highlights the key themes of this response:

- BBC Radio is in an extremely strong position to deliver more public value, even following its challenging licence fee settlement.
- Radio requires a more significant and radical change than being proposed, because of the extent of the BBC's dominance and its growth amongst audiences served by the commercial sector (notably 25-44s).
- It should outline how its main networks (particularly Radio 1 and Radio 2) will serve audiences outside this age group, and provide distinctive programmes regularly and prominently.
- This is a practical argument, not a philosophical one. Failure to act decisively will limit the range and diversity of output for listeners, as stations fight over the same audience. It will also reduce revenue of commercial stations, making them less viable.
- If DQF can deliver more public value for less, then it can help make radio stronger and more diverse, which is in everyone's interests – the listeners, the BBC and the commercial sector. If it fails then everyone loses.

## 1.2 INTRODUCTION

### 1.2.1 Delivering the BBC's public value potential

- At its best, BBC Radio can provide huge public value. Strong and distinctive BBC radio services are good for listeners and good for radio.
- The BBC has the potential to enhance this role, even in the face of significant changes and reductions in funding. However, DQF fails to provide the radical changes required.

### 1.2.2 DQF and what it means for radio

- Any organisation required to reduce its projected budget by 20% will find this challenging, but the BBC's guaranteed income and advantages in radio mean it starts from a position of strength.
- Both BBC management and the BBC Trust appear to agree that no major changes are required to core BBC Radio services. Within its consultation document the Trust states that *'we agree with BBC management that there is no need for any major strategic realignment of these services'*<sup>1</sup>.
- RadioCentre takes a very different view, mainly due to the positioning of the BBC's core radio stations (Radio 1 and Radio 2), which should be refocused to create more public value and limit their crossover with commercial counterparts.

## 1.3 BACKGROUND – MARKET CONTEXT

### 1.3.1 Spending power and share of listening

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<sup>1</sup> BBC Trust, Delivering Quality First, October 2011, p.44

- The DQF proposals are all the more disappointing given the evidence of changes that are required in radio.
- The BBC has spending power that far exceeds anything that commercial radio operators are able to compete with, which distorts the market for radio production and talent, while setting expectations of the resources required to deliver high quality programming.
- This spending power has been deployed in a variety of different ways across BBC Radio, and has contributed to the increase in the BBC's share of listening, with its lead over commercial radio rising from a 4.4% in 2000 to 12.6% in 2010.

### 1.3.2 Why radio needs a more radical change

- The area where BBC has become especially strong and grown its presence is through mass market services, particularly through its most mainstream stations, Radio 1 and Radio 2.
- This has meant a significant growth in 25-44 listeners, which are most sought after by advertisers and catered for significantly by the commercial sector.

### 1.3.3 Why this matters

- BBC Radio has the opportunity to offer much more incremental public value, either to younger listeners, older audiences, or specialist audiences. Its focus on audiences already served by the commercial sector limit its effectiveness in delivering this value.
- The BBC's growth in 25-44s should also be addressed to take due account of their potential for market impact on commercial players. We estimate that the BBC's growth in share since 1999 costs commercial radio around £55m a year, with the largest proportion of this lost revenue (around £50m) due to the growth of listeners aged 25-44.

## 1.4 RESPONSE TO BBC MANAGEMENT PROPOSALS – NETWORK RADIO

- RadioCentre believes that the BBC's network radio services should be set much more challenging objectives if they are to continue to benefit from such significant levels of public funding, even following the implementation of the DQF efficiency savings.
- **Radio 1** should regain its status as a genuinely youth-targeted, music and speech based service, with a specific mission to break new UK bands.
- **Radio 2** should place much greater emphasis on serving the needs of older listeners, both in daytime music choice and the scheduling and content of programmes.
- **Radio 3** should not use its strategy of being 'more welcoming and accessible' as a reason to dilute its unique public service output, and become more like its commercial rival Classic FM.
- **Radio 4's** commitment to unique and distinctive programming is welcome, although we question whether there are no savings that could be achieved from its considerable content budget of £99.5m in 2017.
- **Radio 5 Live's** drive towards greater efficiency should be combined with an enhanced commitment to news and current affairs output.

- As for **digital services**, 6 Music should not be ignored simply because of the sensitivity associated with making changes to the stations, whilst Asian Network should retain its public service elements or be closed down in its current form.
- The BBC's commitment regarding radio **platforms** do not go far enough. The BBC has failed to take the lead in supporting the investment required to deliver sufficient local coverage.

### 1.5 RESPONSE TO BBC MANAGEMENT PROPOSALS – LOCAL RADIO AND NATIONS SERVICES

- The BBC must also demonstrate its commitment to delivering higher quality and greater distinctiveness in radio by addressing the challenges presented by local and Nations radio services.
- **BBC Local Radio** - The BBC's proposal to focus on the retention of the most distinctive BBC Local Radio content at key times of day is sensible. However, we are not convinced that that the expansion of networking is the right approach. In particular we would be concerned if this led to the creation of a new tier of regional radio services, combining music with regional news and entertainment across larger networks.
- **BBC Nations services** - The narrower range of programming being proposed on BBC Nations services should still consist of programming of high quality that delivers genuine public value, rather than seeking to imitate music or entertainment based programming that is provided effectively both on other BBC networks and across commercial radio.

### 1.6 CONCLUSION

- The main themes of this response are that the BBC must deliver greater public value; have less market impact; and achieve greater quality for less. Unfortunately it is not clear that DQF will deliver these outcomes across BBC Radio.

## 2. INTRODUCTION

### 2.1 The public value potential of BBC Radio

- 2.1.1 The best of BBC Radio is amongst the finest radio broadcasting in the world. BBC Radio services are capable of delivering huge public value and are loved and held in high regard by the British public (as well as audiences worldwide). For example, Radio 4 and the World Service are emblematic of the true meaning of 'public service broadcasting'. The commercial radio sector acknowledges and commends the contribution that BBC Radio makes to our society, culture and national and international identity – and wishes to see this contribution strengthened, not diminished.
- 2.1.2 A strong and well managed BBC, which is focussed on the delivery of this sort of distinctive programming and recognises its broader responsibility to the sector, is good for audiences and good for radio. However, BBC Radio also enjoys an extremely privileged position. It has preferential access to extremely limited national spectrum (with four out of five national FM stations, including the only two national FM pop services) and it has preferential funding (spending radio's significant share of the £3.5bn licence fee). Therefore it should consider implementing far-reaching changes to its radio portfolio, particularly Radio 1 and Radio 2.
- 2.1.3 RadioCentre has highlighted these points previously, most notably in our response to the BBC strategy review conducted in 2010 under the banner *Putting Quality First*. Our response<sup>2</sup> to that process was detailed and thorough analysis, based on externally commissioned research<sup>3</sup> and independent input from a range of highly respected individuals and executives, many of whom have worked in senior positions at the BBC and believe passionately in public service broadcasting.
- 2.1.4 However there is no evidence that these genuine and serious attempts to highlight the very real issues that exist in radio due to the BBC's positioning have had any impact whatsoever. The proposals outlined under DQF for radio fail to propose any radical change where this is required the most (for example, in the structure, focus and output of Radio 1 and Radio 2), but outline more significant changes that could potentially dilute public value in other areas (for example, in BBC Local Radio).
- 2.1.5 As we demonstrate in this document, the audiences that the BBC chooses to serve in such large numbers in radio (particularly with its mainstream services Radio 1 and Radio 2) are catered for significantly by the commercial sector. Therefore we have argued consistently that they should look at areas where it can efficiently provide the most incremental public value, through providing content and serving audiences that are the most difficult for commercial operators to reach.
- 2.1.6 Our view remains that a significant opportunity exists to increase the public value provided by BBC Radio services, while extending the principle of delivering a 'smaller and radically reshaped' range of services in line with the approach that is outlined in the DQF document. Clearly it will be challenging for the BBC to deliver greater public value and distinctiveness in an environment where its services will have fewer resources. Quality programming can be expensive. Yet we simply don't accept the equation that higher quality can only be achieved

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<sup>2</sup> RadioCentre, *Putting Listener's First*, June 2010

<sup>3</sup> Value Partners, *BBC Radio – A Review*, June 2010

through higher cost. It is also about the desire to provide distinctive programming, enforced by an appropriate governance framework.

## 2.2 DQF and what it means for BBC Radio

- 2.2.1 Although we believe the BBC is not being radical enough, we acknowledge that the 20% reductions in projected expenditure being implemented under DQF following the licence fee settlement will be challenging.
- 2.2.2 However, the BBC itself has described the combination of its strategic planning and guaranteed income from the licence fee settlement as providing *'a solid foundation on which to plan its future over the next six years'*<sup>4</sup>. When combined with the BBC's inherent strengths and advantages in radio it is reasonable to expect a bright future, as long as the aspirations of management and the Trust are suitably ambitious.
- 2.2.3 The overall efficiency programme under DQF, identifies £670m pa in savings by 2016/17 (19% of the current licence fee of £3.5bn), plus savings from current efficiency work that are expected to push this up to £700m pa (or 20%). A whole range of recommendations and proposals flow from these headline figures, including the estimated net loss of around 2,000 jobs (around 10% of the total); a smaller property estate; changes to management structures; and a different approach to prioritising content spend.
- 2.2.4** The BBC's approach is underpinned by a sensible focus on 'things the public expect most from us' (based on its key editorial priorities) and 'investment on flagship services and on the times of day when public most use our services'. Using this approach as a guide, the detailed proposals on 'productivity' and 'scope' set out to summarise the detailed proposals and the anticipated savings. **RadioCentre does not intend to comment on all of these proposals and will instead focus solely on issues that have implications for radio, initially at a headline level and (later in this document) service by service.**
- 2.2.5 The publicly available information of what the DQF changes will mean for radio suggest that the overall impact will be relatively contained, with limited changes to the main networks. This would appear to be the clear intention on the BBC, with the explicit endorsement of the BBC Trust which states in its consultation document that *'we agree with BBC management that there is no need for any major strategic realignment of these services'*<sup>5</sup>.
- 2.2.6 We simply do not accept the Trust's assessment with regards to network radio and believe that BBC management's proposals are insufficient given the positioning of a number of its stations, particularly its flagship music services.
- 2.2.7 While some radio services are seeing relatively large changes in their projected content budget (with Asian Network's reduced by 34%) or significant operational changes being proposed (as with BBC Local Radio), the largest stations with the greatest untapped public value potential and commercial crossover (Radio 1 and Radio 2) will remain relatively untouched.
- 2.2.8 We will address the specific changes being proposed to each BBC Radio service in turn later in this document. However, it is worth considering the headline information that is available on the overall impact of the DQF changes first.

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<sup>4</sup> BBC, Delivering Quality First, October 2011, p.7

<sup>5</sup> BBC Trust, Delivering Quality First, October 2011, p.44

- 2.2.9 In particular we understand that BBC Audio & Music expect to see total savings of around 18% of its budget by 2016/17 (broadly in line with the rest of the BBC). A significant proportion of this will be derived from 'efficiencies' in back-office and production staff through some re-organisation, although no figures have been made public on the staff reductions expected across A&M or on individual networks.
- 2.2.10 The only publicly available information on the impact of DQF on BBC Radio services is provided in the Trust's consultation document. This provides figures for the most significant element of spending by outlining the projected content spend, and estimated savings by 2016/17. This would imply a total content spend on radio by 2016/17 of £501m (including local and nations services). This is a 4.3% saving in 'scope' from the projected budget of £523m – less than the 6% reduction in scope across the BBC.
- 2.2.11 It would also appear that these services will be spending 3.6% more than the £483.4m spent by BBC on content for these services in 2011. This is significant given 'content' is by far and away the largest element of spending on BBC Radio services (currently 76%). A full summary of these proposed changes in scope/ content spend for radio is provided below.

**Figure 1: Projected changes to BBC service content spend by 2016/17<sup>6</sup>**

	Projected service licence content spend for 2016/17 (£m)	Estimated changes to content spend 2016/17 (£m)	Projected Actual spend for 2016/17 (£m)	Percentage change
Radio 1	42.1	-1.1	41	-2.5
Radio 1Xtra	8.6	-1.1	7.5	-13.1
Radio 2	49.2	-1.4	47.8	-2.9
Radio 3	40.7	-1.6	39.1	-4
Radio 4	99.5	0	99.5	0
Radio 5Live	62.8	-4.7	58.1	-7.5
5Live SpExtra	2.5	-0.1	2.4	-5.8
Radio 6 Music	8.3	-0.2	8.1	-2.6
Radio 4 Extra	5.7	-1	4.7	-17.2
Asian Network	9.5	-3.2	6.3	-34.1
BBC Local Radio	125.1	-5.3	119.8	-4.2
Radio Scotland	23.2	-1.5	21.7	-6.6
BBC Radio nan Gàidheal	3.7	-0.3	3.4	-6.7
Radio Wales	13.9	-0.4	13.5	-3.2
Radio Cymru	12.5	-0.4	12.1	-3.3
Radio Ulster/Foyle	16.3	-0.3	16	-1.6
<b>Total</b>	<b>523.6</b>	<b>-22.6</b>	<b>501</b>	<b>-4.3</b>

<sup>6</sup> BBC Trust, Delivering Quality First, October 2011, p.39

- 2.2.12 One particular area of radio which has been the subject of much attention following the publication of the DQF proposals is for BBC Local Radio. While it is still difficult for those outside the BBC to ascertain the precise impact of the changes being proposed, it is at least an area where detailed operational proposals have been published. Once again these changes will be addressed in further detail below.
- 2.2.13 However, it seems that due to the relatively high costs involved in running local broadcasting operations, and nature of the proposed reforms, these cuts (initially presented as a 12% reduction) may mean a higher headcount reduction and will not be distributed evenly. Consequently we understand that total savings across local radio budgets on the ground may average at 19% (with individual stations reporting higher numbers<sup>7</sup>).
- 2.2.14 This complicated situation and lack of clarity over the savings that would be delivered by these proposals illustrates the problem of not being completely transparent on all costs at the beginning of the consultation process. The fact that there has been no shared understanding on the extent of savings being required across the constituent parts of the BBC has led to alarm among BBC employees, and a degree of public confusion and inconsistent reporting regarding the impact of the proposals. We believe it would have served the BBC better to provide more information and transparency upfront to avoid this confusion, and the need to gradually explain different aspects of the proposals throughout the consultation period.
- 2.2.15 Finally we would urge the Trust to consider whether the likelihood of lower inflation levels might result in the BBC having more funds at its disposal than originally anticipated when the DQF plans were conceived. While it is not appropriate to provide a detailed view or analysis in this response, recent forecasts suggest that the UK will face lower levels of inflation in the coming years than were initially predicted earlier in 2011. Consequently it would be helpful to understand how any funding released as a result of lower than expected costs would be handled, and how decisions on spending such funds would be taken.

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<sup>7</sup> <http://www.guardian.co.uk/media/interactive/2011/dec/11/bbc-local-radio-cuts-interactive>



### 3. BACKGROUND – MARKET CONTEXT

3.1 The DQF proposals are all the more disappointing given the changes that are required in radio. The BBC has a spending power that far exceeds anything that commercial radio operators are able to compete with, which distorts the market for radio production and talent, while setting expectations within the BBC of the resources required to deliver high quality programming. This spending power has been deployed in a variety of different ways across BBC Radio, and has contributed to audience growth that has seen BBC's share of listening increase significantly.

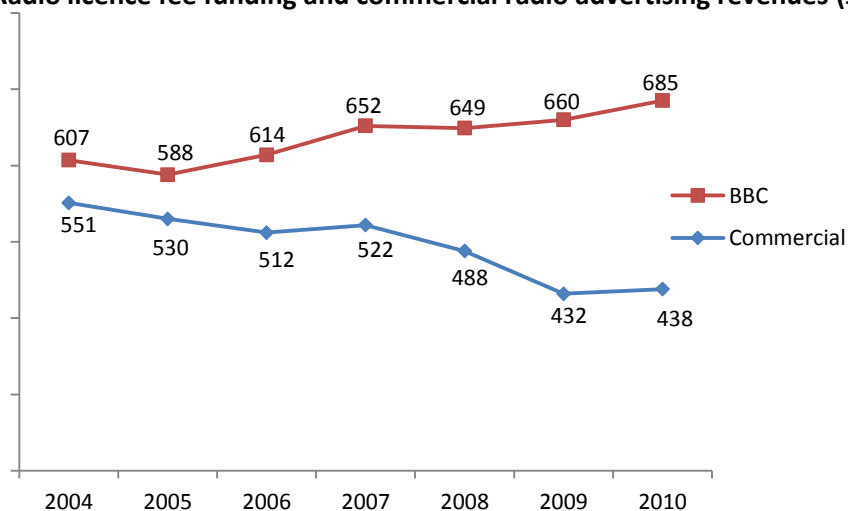
#### 3.2 Spending power and share of listening

3.2.1 The BBC's growing dominance in radio in recent years has been driven by a combination of its vastly greater spending power and strategic positioning of its flagship national music services Radio 1 and Radio 2. This has meant that it has failed to fulfill its true potential to deliver the range and volume of distinctive public value programming to mass audiences in the most effective way, but has increased its market impact by increasingly choosing to serve audiences that are the core focus of commercial radio.

3.2.2 The combination of the service licence reviews carried out in recent years, the BBC Strategy Review in 2010 and now DQF in 2011, have provided an opportunity to develop detailed plans for the re-alignment of these largest stations as part of an effort to rebalance the BBC's portfolio of radio stations. This would seem to be an entirely appropriate response given the impact of the BBC's strategy on the UK radio market as a whole, and the evidence that has been provided and analysed by the BBC Trust in recent years.

3.2.3 In 2010 the UK radio industry was estimated to be worth £1.1bn<sup>8</sup> divided between BBC Radio with licence fee funding of £685m<sup>9</sup> (61% of the total) and commercial radio with net advertising revenues of £438m<sup>10</sup> (39%). Over the last six years, the gap between the funding of BBC Radio and commercial radio revenues has grown significantly. Between 2004 and 2008 (start of recession), the gap between BBC Radio licence fee funding and commercial radio advertising revenues grew from 10% to 33%. In 2010, despite some recovery in commercial radio revenues this gap widened still to 56%.

**Figure 2: BBC Radio licence fee funding and commercial radio advertising revenues (£m)**



<sup>8</sup> Ofcom Communications Report, August 2011

<sup>9</sup> Ofcom Communications Report, August 2011 – Ofcom estimates based on BBC Annual Reports – figures include apportionment of overheads, e.g. items such as the costs of licence fee collection and the BBC orchestras

<sup>10</sup> Ofcom / RAB

- 3.2.4 The disparity in funding between BBC Radio and commercial radio is both one of the causes and effects of the BBC's dominance. Another way of looking at this is the increasing gap in income. In 2004, there was a relative degree of parity with commercial radio's revenues equivalent to 91% of the funds available to BBC Radio. By 2008, this number had fallen to 73%. In 2010, following the impact of recession, the figure was 64%<sup>11</sup>.
- 3.2.5 These headline figures only tell part of the story of the comparative level of available funding to commercial radio and the BBC. Commercial radio has a much broader range of fixed costs, including sales and marketing, which it has to meet from this smaller total income. Consequently the amount of funding available to commercial stations to spend on content is relatively tiny compared to the spending power of the BBC. Indeed it has been calculated that the BBC is spending more than 40 times more than commercial radio per hour, with an average spend across its stations of £1,097 per hour as opposed to commercial radio production costs which average out at £27 per hour<sup>12</sup>.
- 3.2.6 The BBC's reliance on 'cost per listener hour' as a measure of efficiency is also problematic in this regard. This metric does nothing to incentivise efficiency and minimise unnecessary cost. Instead it simply encourages stations to grow audience reach and hours to reduce their headline figure, resulting in stations such as Radio 2 (the third most expensive BBC station at £59.2m) appearing to deliver the lowest cost (at 0.5p per listener hour)<sup>13</sup>.
- 3.2.7 The BBC is able to produce radio programming with teams of producers working on crafted pieces over a period of days or weeks, a production model which is beyond the reach of commercial radio. This can result in distinctive programming, but where the output is similar, or stations are competing, this huge disparity in spending power between BBC and commercial radio distorts the market. It can set an expectation at the BBC of the resources required to deliver radio output which is based on 'how things are done' within the BBC, rather than what they should cost (for example, if it was being done by a commercial operator). A particular consequence of this is the way in which the BBC has used its superior spending power to engage presenting talent at all levels of the radio industry.
- 3.2.8 This expectation of relatively large resources has reinforced an approach to BBC Radio services that always equates quality and distinctiveness with relatively high levels of investment. Yet, it is too simple to suggest that a reduction in levels of funding will inevitably dilute the distinctiveness of services.
- 3.2.9 The combined impact of these changes has meant that BBC Radio has also been able to grow its share of listening – extending its lead over the commercial sector from 4.4% in 2000 to 12.6% in 2010 (see Figure 2 below). This in turn constrains the commercial sectors ability to grow revenue and creates a vicious circle, by reducing the funding available to invest in content.
- 3.2.10 This level of public sector intervention is much greater than in television, where BBC's share is around 32% (and declining). It is also at a comparatively high level internationally, where by comparison the scale of public intervention in the UK radio market is significantly higher than most major markets<sup>14</sup>.

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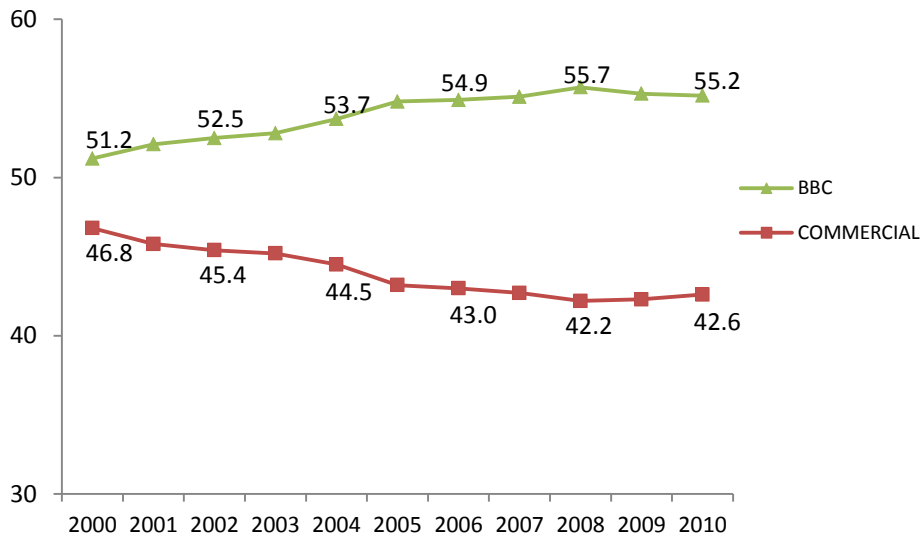
<sup>11</sup> Ofcom Communications Report, August 2011

<sup>12</sup> BBC Trust, 'Review of Independent Radio Supply', July 2010

<sup>13</sup> BBC Annual Report 2010/11

<sup>14</sup> BBC Radio – A Review, Value Partners, 2009, p.28 - shows public broadcasters share for UK (55%), Italy (28%), France (22%), Canada (13%), Japan (8%), USA (5%), with only Germany (58%) having a higher share in these main markets.

**Figure 3: Share of total listening 2000-2010 (%)**

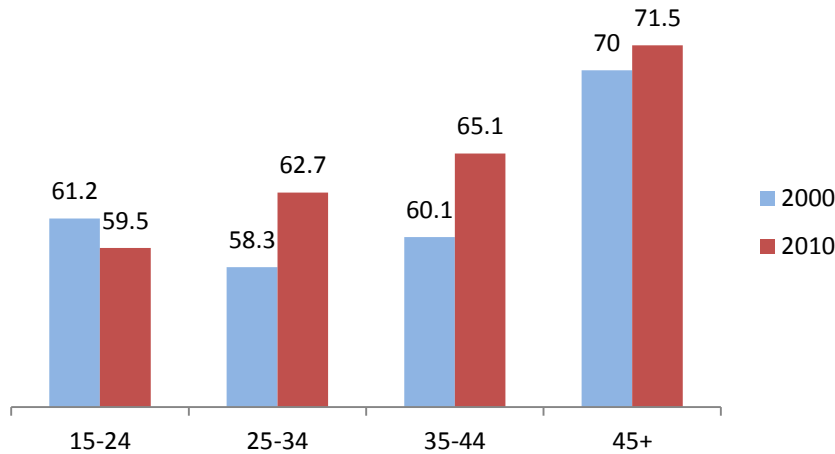


### 3.3 Why radio needs more radical change

- 3.3.1 The advantages held by the BBC in radio, coupled with the financial challenges facing the commercial sector, place a responsibility on BBC Radio to ensure it does not have a market impact disproportionate to the value it delivers to licence fee payers. In particular, the BBC needs to exercise caution in the pursuit of the audiences most critical to commercial radio's viability (25-44s).
- 3.3.2 The BBC has implied previously that it understands and appreciates the lead role that the commercial sector plays in providing output for these audiences and that *'commercial radio effectively delivers mainstream popular music broadcasting to younger and middle-aged adults'*<sup>15</sup>.
- 3.3.3 However, while the BBC appears to acknowledge this role and the problems caused by the expansion of its national music stations into this demographic, any action that it has proposed as a result of this understanding has so far either been misguided (the original proposal to close 6 Music) or fallen short of that which is required (no significant changes to address the audience profile of Radio 1 and Radio 2).
- 3.3.4 The fact is that the number of 25-44s who listen to each of the BBC's radio services is one of the main reasons for its growth in share of listening over the past ten years. This is illustrated by the chart below, which shows that it is audience reach between these ages that has been growing most significantly, up 4.4 percentage points between 25-34 and 5 percentage points between 35-44.
- 3.3.5 Overall the BBC now commands a 64% reach of the 25-44 age group (up from 59.2% in 2000). Because these audiences are disproportionately attractive to advertisers, this growth, whether deliberate or a de-facto result of listeners responding changes in output, has had an even greater market impact than these figures would suggest.

<sup>15</sup> BBC Strategy Review, March 2010, p.56

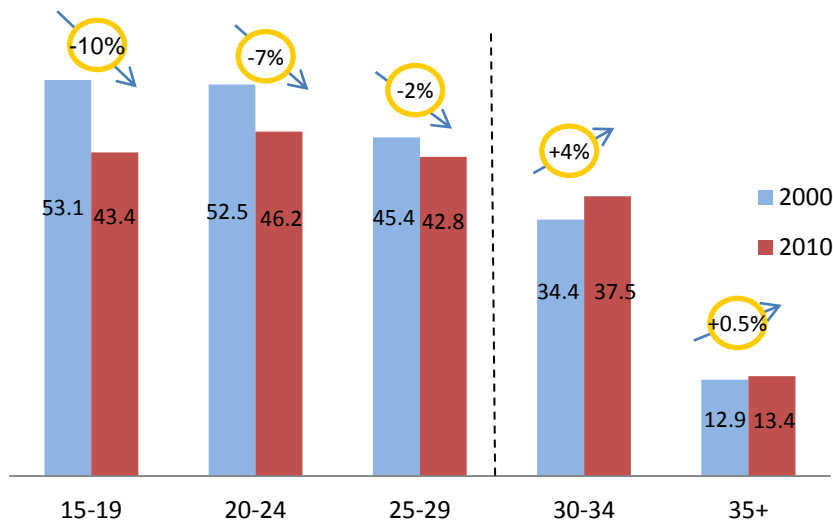
**Figure 4: Total reach of BBC Radio services (%)**



3.3.6 The strong growth among these audiences in BBC Radio has been a direct result of Radio 1 growing an older audience and a Radio 2 growing a younger audience (many of whom are outside their respective remits, or simply a narrow subset of the listeners they are obliged to serve).

3.3.7 Over the last ten years, **Radio 1**'s growth in reach has been driven almost entirely by attracting additional audiences outside the station's defined target age range. But perhaps of even greater concern is the station's loss of reach amongst the younger (15-24) element of its target audience.

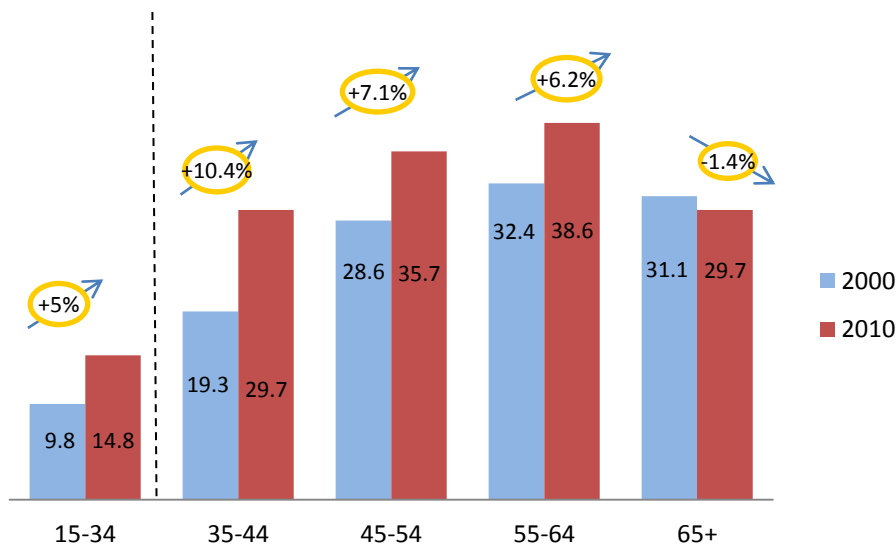
**Figure 5: Radio 1 reach by age group (%)**



3.3.8 The BBC receives significant levels of public funding in order to provide content that is relevant and attractive to these younger, hard to reach younger audiences. This role is all the more important because we know that overall listening hours for 15-24s are declining at more rapidly than any other age group, down 12.4% between 2000 and 2010, so Radio 1's task of converting young people to radio is a function that can benefit all radio.

- 3.3.9 Instead the changes in audience profile have meant that the majority of Radio 1’s listeners (55%) are over 30 and therefore come from outside its remit laid down by the BBC Trust in its service licence, which states that it should serve 15-29 year olds. This in turn has meant that Radio 1’s average age has also been gradually creeping up and now stands at 32<sup>16</sup>.
- 3.3.10 This shift towards an older audience by Radio 1 was acknowledged by the BBC Trust in its service licence review in 2009, where it warned of further action if insufficient progress was made in addressing these matters. Against this background we would ask the Trust to consider whether sufficient steps have been taken to date.
- 3.3.11 These changes have been compounded by the shifts that have taken place at **Radio 2** over the past ten years or so. Radio 2’s remit is to serve a 35+ audience, but for the last decade, it appears to have been behaving as if its primary target audience is 35-54s, with over 55s of secondary importance. This is reflected in the station’s choice of daytime music and presenters (in the first instance, Steve Wright and Jonathan Ross, more recently Chris Evans and Simon Mayo, or comedians like Alan Carr as part of the weekend schedule).
- 3.3.12 As a result, by far the strongest growth in Radio 2’s audience has been at the lower end of its age profile, particularly 35-44, where its reach has grown more than 10 percentage points since 2000. Consequently the station’s age profile has shifted younger (average age shifting from 53 to 50 over a ten year period). These changes are all the more surprising when one considers that Radio 2’s audience and average age has moved younger at a time when the population is ageing. Indeed the average age of UK citizens who are 35+ (Radio 2’s target demographic) has now risen to 54<sup>17</sup>.

**Figure 6: Radio 2 reach by age group (%)**



- 3.3.13 The BBC Trust has acknowledged the need for Radio 2 to serve older audiences and in its service licence review stated that it would take action if the average age of Radio 2 listeners was to get any younger. However, this ignores the fact that it has already moved so aggressively to reach so many more of these commercial attractive listeners and is already too young.

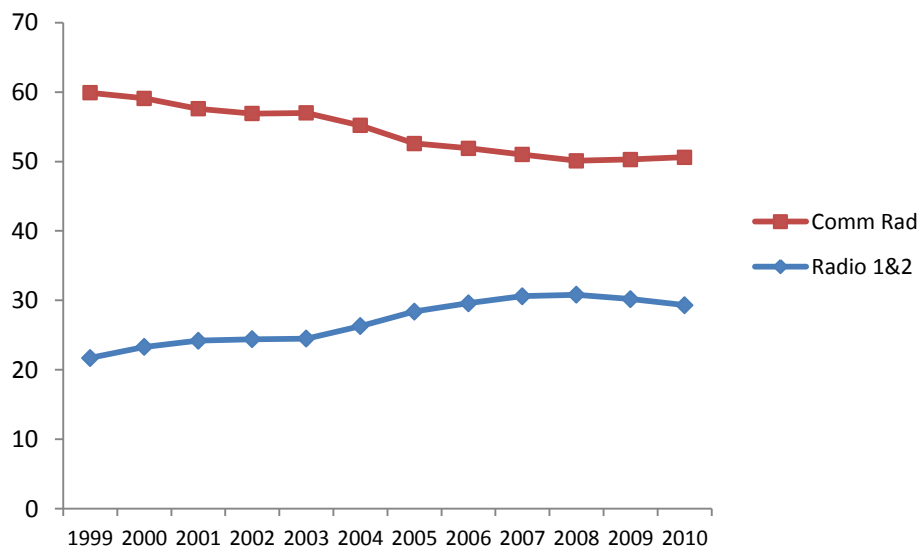
<sup>16</sup> Rajar, Q3 2011, average for listeners who are 10+ (average is 34 for listeners who are 15+)

<sup>17</sup> Office of National Statistics, population estimate

### 3.4 Why this matters

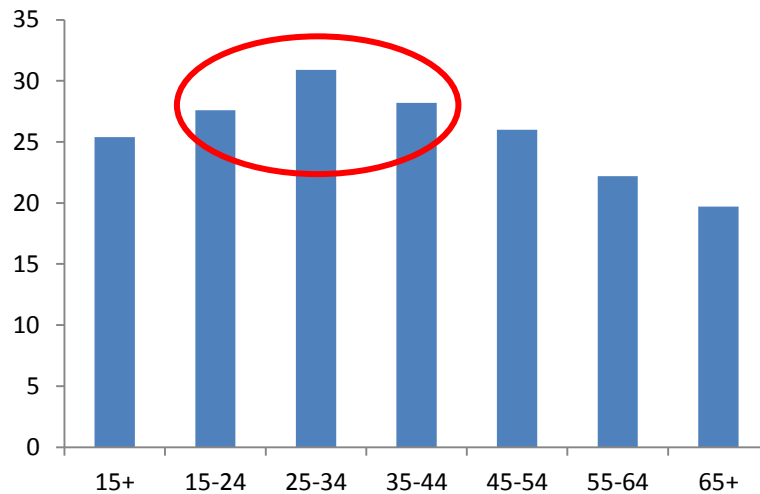
- 3.4.1 This analysis of the market context and key changes in BBC Radio are important, as they illustrate the impact of the main two national pop music networks providing output that has extended its popularity among audiences that are also catered for most prominently by the commercial sector.
- 3.4.2 This has restricted the incremental public value provided by BBC Radio, as it has meant that editorial decisions to provide the most distinctive public service content for much younger or much older audiences are the exception rather than the rule. This limits the ability of these stations to deliver the BBC’s public purposes as effectively as they might.
- 3.4.3 In addition, given the structural and economic challenges facing commercial radio, the BBC should be doing more to ensure that proposals about its priorities, its range of services and its conduct take due account of their potential for market impact on commercial players. As illustrated below, the growth in Radio 1 and Radio 2’s share of listening among 25-44s has coincided with a sharp fall in listening share for commercial radio amongst this group.

**Figure 7: Share of listening among 25-44 year olds (%)**



- 3.4.4 Consequently the collective listening hours of these two stations alone now dominate within younger age groups and increasingly in the age brackets on either side – contributing to the Radio 1/ 2 ‘bulge’ in market share that is highlighted in Figure 8 below. The combined market share of listening to both Radio 1 and Radio 2 amongst 25-34 year olds now represents almost one third amongst this demographic, and over a quarter of listening amongst 15+, 15-24, 35-44 and 45-54 year olds.

**Figure 8: Listeners to both Radio 1 and Radio 2: market share by age segment (%)**



- 3.4.5 It is hard to avoid the conclusion that much of this growth has come at the expense of the commercial sector. This in turn has a direct 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 £55m a year<sup>18</sup>. This is more than 10% of industry revenues and would account for a significant proportion of the decline in commercial radio income over this period.
- 3.4.6 Given the disproportionate importance of listeners in the 25-44 age bracket<sup>19</sup>, 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 £50m a year<sup>20</sup>.
- 3.4.7 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.
- 3.4.8 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.

<sup>18</sup> RadioCentre analysis - Based on BBC's total increase in share of hours of 5.1 percentage points for 15+ listeners since 1999 being exclusively at the expense of the original commercial radio share of 47.9 (so 10.6% as a proportion of this) – and this 10.6% loss being applied to the proportion of commercial radio gross revenue (£523m in 2010).

<sup>19</sup> Around 75% of total revenue according to industry estimates.

<sup>20</sup> RadioCentre analysis - Based on Radio 1 and Radio 2's combined increase in share of hours of 7.6 percentage points in this age group since 1999 being exclusively at the expense of the original commercial radio share of 59.9 (so 12.7% as a proportion of this) – and this 12.7% loss being applied to the proportion of commercial radio gross revenue aimed at 25-44s, which available evidence suggests is around 75% (£392m in 2010).

## 4. RESPONSE TO BBC MANAGEMENT PROPOSALS – NETWORK RADIO

### 4.1 Overview

- 4.1.1 This section provides a summary of the DQF proposals that have been outlined for the BBC's network radio services<sup>21</sup>, followed by an assessment of these proposals and comments on the way we believe these services should respond to the challenges facing the BBC.
- 4.1.2 While we are mindful of these challenges, the BBC's privileged position means that it still has the significant opportunity (and responsibility) to help drive quality and distinctiveness in radio and not just to protect the status quo. As noted above, we do not accept the Trust's assessment with regards to network radio when it states that *'we agree with BBC management that there is no need for any major strategic realignment of these services'*<sup>22</sup>.
- 4.1.3 This is not an appropriate response given the opportunity the BBC has to increase public value, particularly from its flagship music services. Therefore we reserve our most detailed and far-reaching recommendations for the services with the greatest need for reform.

### Radio 1 and Radio 1Xtra

#### 4.2 Summary of key proposals

- Reducing overall talent costs (Radio 1)<sup>23</sup>.
- Sharing back-office teams across networks (Radio 1 and Radio 2 on live events)<sup>24</sup>.
- Sharing of most news bulletins (Radio 1 with 1Xtra), except breakfast.
- Simulcast programmes between 2am and 4am.
- End late night Nations opt outs on Radio 1, and replace with national platform of unsigned and emerging talent from across the UK.

#### 4.3 Assessment

- 4.3.1 The evidence suggests that Radio 1 in particular could provide significantly more public value than it does at present, particularly for younger audiences. This opinion appears to be shared by the BBC Trust, which stated in 2009 *'We believe (Radio 1) has potential to increase its public value further, given the strength of its market position; in particular, we have asked the station to renew its focus on serving a young audience and to deliver more public value via its speech output'*<sup>25</sup>.
- 4.3.2 RadioCentre also welcomed the Trust's conclusion following the service licence review of Radio 1 that there appeared to be too much scope for it to appeal to older listeners outside of its remit. As a result, it tightened the Radio 1 remit to make it clear that it should focus on its target audience of 15-29 year olds, by removing the requirement to *'also embrace others who share similar tastes'*.
- 4.3.3 As noted earlier in this document, the original report also referred to quarterly monitoring by the Trust of the station's ability to attract an audience within its target age range, and warned of further action if progress was insufficient. Against this background we would ask

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<sup>21</sup> Each of these proposals are listed on p.45-50 of the Trust consultation document unless otherwise stated

<sup>22</sup> BBC Trust, Delivering Quality First, October 2011, p.44

<sup>23</sup> BBC, Delivering Quality First, October 2011, p.22

<sup>24</sup> BBC, Delivering Quality First, October 2011, p.17

<sup>25</sup> BBC Trust Review of BBC Services for Younger Audiences, June 2009, p.49



the Trust to consider whether sufficient steps have been taken at Radio 1 given that the mean average age for Radio 1 listeners (10+) is now at 32 overall with its breakfast show listeners (the 6.30am to 10am daypart) averaging 33 years old.

- 4.3.4 These central challenges of enhancing the public value of Radio 1 and 1Xtra (whether through speech output or a greater commitment to new and specialist music throughout the day), while also ensuring that output is geared more explicitly towards younger listeners, do not appear to have been addressed anywhere within DQF.
- 4.3.5 Instead these reforms seem to be relatively small and piecemeal. Clearly the proposals to share some back office resources and news bulletins may generate some savings (although we would question how expensive it is to provide separate news bulletins). Similarly a broad commitment to reduce talent costs is welcome. However, there would appear to be a limited degree of transparency on how much these costs are to be reduced and by when, with no evidence that the BBC intends to use this as an opportunity to refresh its presenter line-up as a means of helping it to reach younger listeners. Instead it appears content to let the audience grow older with the presenters and their output.
- 4.3.6 Unfortunately DQF does not provide what is required for Radio 1, which is a mission statement outlining its plan to deliver increased public value and reach younger listeners in return for what is a limited cut in content cost (2.5%). Despite some encouraging signs of change within the specialist music line up following the appointment of the new controller<sup>26</sup>, there is no sign of significant changes to the core daytime output. Moreover, Radio 1 and 1Xtra will not be 'smaller and radically reshaped'<sup>27</sup> in the manner BBC services are apparently intended to be by DQF. This is despite the fact that most elements that are required to provide the enhanced public value and reach younger audiences could be delivered in the context of planned (or potentially greater) efficiencies. RadioCentre would suggest a significant shift in priorities and focus of Radio 1 in the manner outlined below.

#### **Radio 1**

Radio 1 should regain its status as a youth-targeted, music and speech based service, with a mission to break new UK bands. Its core remit should be to play and break new UK bands, not just play new songs by established artists.

It should focus on serving audiences under 25 years of age, with a significantly greater focus on teenage listeners (13-19).

There must be much greater investment in high quality, distinctive programming that promotes the BBC's public purposes in a manner that appeals to younger audiences. News, documentaries, social action campaigns, advice programmes and other current affairs output must be scheduled to maximise their public value.

Specific conditions to be inserted into the Radio 1 service licence should include:

- A new target audience of 13-24 year olds. 75% of Radio 1's listening hours should fall within this target age group within three years;
- Within the target age range, there should be particular emphasis on reaching the youngest listeners (13-19 year olds);
- Using daytime to provide a significant platform for new UK artists;
- Ensure that 65% of songs in daytime are from new UK bands;
- Ensure that at least 30% of output is speech based.

<sup>26</sup> <http://www.guardian.co.uk/media/2011/dec/07/judge-jules-radio-1-gilles-peterson>

<sup>27</sup> Mark Thompson, BBC, Delivering Quality First, October 2011, p.6

## **Radio 2**

### **4.4 Summary of key proposals**

- Reducing overall talent costs<sup>28</sup>.
- Sharing back-office teams across networks (Radio 1 and Radio 2 on live events)<sup>29</sup>.
- Replace regular comedy programmes with ad-hoc comedy series.
- Reduce the amount of live music by a small increase in evening repeats.
- Sharing of most news bulletins (Radio 2 with 6 Music).

### **4.5 Assessment**

- 4.5.1 DQF misses the opportunity to propose reforms that assist with the delivery of greater public value by Radio 2. Instead the proposals are largely small-scale and operational, rather than strategic, with back office functions being shared with Radio 1 and the sharing of most news bulletins with 6 Music.
- 4.5.2 In 2010, as part of its service licence review, the Trust also highlighted the need for Radio 2 to do more to meet the BBC's public purposes, stating that '*Radio 2 should use its size and influence to make a greater contribution to the BBC's public purposes in peak time*'<sup>30</sup>. We acknowledge that there are some examples of genuinely distinctive programming, such as the one-off showcase of the station's content during '2-day', which included documentaries as part of the morning schedule.
- 4.5.3 Such examples are notable and commendable, but unfortunately they would appear to be the exception rather than the rule. Too often the station's content is generic chat and entertainment content during daytimes, with a passing reference to public service output thrown in almost as an afterthought, and most substantial and regular programming of this nature remaining off-peak.
- 4.5.4 If the BBC really wishes to safeguard the daytime schedule of Radio 2, as outlined by its proposals, it should require the station to broadcast regular public service output such as documentaries in daytime, and not simply as part of an annual showcase of content. Otherwise it might appear to be more of an exercise in box-ticking rather than a genuine ongoing commitment to making a greater contribution to public purposes in peak time.
- 4.5.5 The reduction in regular comedy programming is also unfortunate, but the ongoing commitment to comedy output and talent is welcome, particularly as this is one of the more distinctive areas of programming, which it is generally not possible for commercial radio to provide due to the resources required.
- 4.5.6 In addition, the BBC Trust has called for Radio 2 to protect the interests of older listeners, ensuring that the average age does not fall below 50 for any sustained period. As part of this recognition of the extension of Radio 2 beyond its core remit it stated that '*the Executive should seek to reduce the percentage of Radio 2's audience which falls outside the target audience*' and investigate reasons for decline in audience among over 65s to assist this recommendation<sup>31</sup>.

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<sup>28</sup> BBC, Delivering Quality First, October 2011, p.22

<sup>29</sup> BBC Trust, Delivering Quality First, October 2011, p.17

<sup>30</sup> BC Trust Review of Radio 2/ 6 Music, February 2010, p.6

<sup>31</sup> BBC Trust Review of Radio 2/ 6 Music, February 2010, p.6

- 4.5.7 Following these changes Radio 2 will only see its projected content budget reduced by around 2.9% at the end of the DQF process. Consequently it will have more to spend on its output in 2017 (£47.8m) than it did in 2011 (£46.7m). In exchange for this limited degree of change and ongoing investment Radio 2 should be required to shift its focus, to more adequately meet the needs of a broad range of older listeners in the manner outlined below.

**Radio 2**

Radio 2 should place much greater emphasis on serving the needs of older listeners, specifically in daytime music choice and the scheduling and content 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.

Specific conditions to be inserted into the Radio 2 service licence should include:

- The target audience should be raised from 35+ to 40+ (and 45+ after three years). 75% of Radio 2's listening hours should fall within this target age group within three years;
- Ensure that 60% of music is more than 15 years old in daytime;
- Ensure that 50% of songs are from UK acts.
- A requirement to broadcast documentaries regularly in daytime (at least weekly)

**6 Music****4.6 Summary of key proposals**

- Sharing of main news bulletins (Radio 2 with 6 Music).
- Retains bespoke music news.

**4.7 Assessment**

- 4.7.1 The BBC appears to be unable to bring itself to propose anything significant with respect to 6 Music, following the reversal of its decision to close the network in 2010.
- 4.7.2 The only change of note refers to sharing of news bulletins with Radio 2. While it is appropriate for the BBC to consider ways to extract greater value for its newsreaders by examining the provision of news bulletins, this proposal potentially dilutes the distinctiveness of the stations by standardising the way they present news and information to their respective audiences. Moreover, it is unclear whether this proposal will actually generate any significant savings, given that separate news bulletins are generally cheap and relatively easy to produce.
- 4.7.3 While RadioCentre would not necessarily propose radical change to the 6 Music these proposals do not appear to address the future role of the station and how this is delivered. In particular it avoids questions that should be addressed in the context of providing a more efficient and joined up operation. In particular there would seem to be a greater opportunity to incorporate some of the more distinctive content from 6 Music into other BBC radio stations.

## **Radio 3**

### **4.8 Summary of key proposals**

- Broadcast 25% fewer live and specially recorded lunchtime concerts.
- Reduce cost of evening concerts (fewer orchestral concerts, more chamber and instrumental).
- Reduce amount of original drama.
- Sharing of most news bulletins (Radio 4 with Radio 3).
- Reinvest in Proms.
- Review efficiency and scope of orchestras.

### **4.9 Assessment**

- 4.9.1 Compared to the other national networks Radio 3 appears to be subject to some slightly more significant changes. While it is difficult to comment on the precise nature of each of the changes and the efficiencies that are likely to be generated, we would offer some overarching comments on the danger of Radio 3 continuing to use these changes as further justification to pursue a strategy that it has characterised as becoming 'more welcoming and accessible'.
- 4.9.2 In particular we would remind the Trust that the strategy should not be pursued at the expense of Radio 3's public service remit and need to remain distinctive from its national commercial rival, in the form of Classic FM. To date, Radio 3 and Classic FM have largely fulfilled complementary and symbiotic roles. However, we are concerned that elements of the Radio 3 schedule point towards an increasing popularisation of the service.
- 4.9.3 Programming elements, such as the A-Z of Opera<sup>32</sup>, a classical music chart<sup>33</sup> and the *Nation's Favourite Aria*<sup>34</sup>, borrow significantly from the commercial sector (the Classic FM Chart has been running since 1992; the Classic FM Hall of Fame listener poll since 1996 and the A to Z of Classic FM Music since 2008). 2011 has also seen the emergence of a CD of the Week feature on Radio 3's new Essential Classics morning show, an established element of Classic FM's morning programme since 1992. Long-standing Radio 3 listeners appear to argue that these services are out of place on the station<sup>35</sup>.
- 4.9.4 We also note that the style of Radio 3's breakfast programme has moved closer to that of Classic FM, with shorter tracks and no full works, thereby decreasing the diversity of style of classical music radio at breakfast time. The repertoire has become 'lighter' with increased airplay of film soundtracks. When questioned on listener objections to the changing nature of the Radio 3 breakfast show, the station controller has acknowledged and defended this drift towards more populist output<sup>36</sup>.
- 4.9.5 Radio 3 should reverse these changes, in order to re-establish its distinctiveness during peak time and not just during off-peak periods. It must re-focus on what makes it a distinctive service – its emphasis on live and specially recorded classical music, its promotion of less familiar work and commissioning of new music, its jazz and world music output, and its high quality speech output, including investment in drama and religious programming. Unless it

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<sup>32</sup> <http://www.bbc.co.uk/podcasts/series/opera/all>

<sup>33</sup> <http://www.bbc.co.uk/radio3/breakfast/chart/>

<sup>34</sup> <http://www.bbc.co.uk/radio3/opera/arias/>

<sup>35</sup> See Friends of Radio 3 submission to the BBC Trust Review of Radios 3, 4 and 7.

<sup>36</sup> <http://www.guardian.co.uk/media/2010/aug/23/bbc-pensions-proms-roger-wright>

addresses the changes implemented by Radio 3 we believe that the BBC will be failing in its duty to *'minimise its negative competitive impact on the wider market'*<sup>37</sup>.

- 4.9.6 Finally, the proposed review of the efficiency and scope of BBC orchestras is welcome. Concerns have been expressed previously about the disparity in funding between the BBC's in-house orchestras and non-BBC orchestras. For example, whilst the BBC Symphony Orchestra secures £15m funding p.a., independent orchestras, such as the London Philharmonic secure approximately £2m<sup>38</sup> p.a. public subsidy. This disparity will only increase over the next few years, with a decrease in Arts Council England funding to the main English symphony orchestras a certainty over the coming years. As such greater consideration should be given to Radio 3's role in supporting independent orchestras, particularly in broadcasting live or new recordings.

## **Radio 4 and 4 Extra**

### **4.10 Summary of key proposals**

- Radio 4's projected content budget of around £100m (£99.5m) to remain 'stable'.
- Small reduction in factual and current affairs budgets.
- One per cent increase in repeated programmes.
- Focus on landmark factual programming, high profile drama and online.
- Fewer originated programmes on 4 Extra.

### **4.11 Assessment**

- 4.11.1 Radio 4 is rightly regarded as the jewel in the crown of the BBC Radio portfolio, valued and admired for its (disproportionate) contribution to the BBC's overall mission to inform, educate and entertain. Just as there should be no dilution of Radio 3's uniqueness, Radio 4 must ensure that it continues to maintain its world-class reputation for high-end, distinctive and intelligent speech content. Radio 4 must continue to invest in original content rarely found on other UK radio stations – in particular original drama, readings and comedy.
- 4.11.2 Much of this output has high production costs and would appear to have been largely protected under the DQF proposals, given that Radio 4 is the only service that is not seeing any reduction in its projected content budget of £99.5m by 2017.
- 4.11.3 While we broadly welcome this commitment to retaining the volume and depth of programming with high public value on Radio 4, we would question the assumption that no savings whatsoever were available from the content budget. Moreover, while high levels of funding for high quality programming on Radio 4 do appear to be consistent with the BBC's desire to deliver its editorial priorities, we would again emphasise that there is no automatic relationship between quality and high cost.

## **Radio 5 Live and 5 Live Sports Extra**

### **4.12 Summary of key proposals**

- Continue 24 hour live schedule, but reduce cost of overnight programming

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<sup>37</sup> BBC, Competitive Impact Policy

<sup>38</sup> Arts Council data on Regular funding for organisations: Both the Philharmonia Orchestra and London Philharmonic Orchestra will receive an annual grant of £2,030,404 in 2010/2011 and 2011/2012.

- Maintain sport output at current levels, but reduce costs of presentation (smaller teams etc)
- Reduce costs of regional news operations in England by working with more closely with parts of BBC News (including Local Radio and Newsgathering).
- Schedule changes, including business programming in morning/ breakfast and afternoons and end of some Sunday programmes (comedy, current affairs)

#### **4.13 Assessment**

4.13.1 The changes being proposed to 5 Live appear to be the most significant to any of the major national networks, delivering a 7.2% reduction in the projected content budget by 2017. Nevertheless it is not entirely clear what all of the proposed measures will achieve, or how they will be implemented in a way that will achieve efficiencies whilst also increasing distinctiveness. For example, more detail is required on the ways in which the station will reduce costs of overnight programming.

4.13.2 In addition, it is questionable whether the BBC needs to re-emphasise the continued to commitment to the sports output on 5 Live (albeit reporting with smaller teams), particularly in the light of the proposal for the BBC to reduce its sports rights budget by 15% as part of DQF. As the Trust will be aware from the service licence review process, it is the level of commitment and the effective delivery of its 75% news obligation that is the main issue amongst listeners and competitors, so a commitment to this more significant element of the stations output would seem more appropriate.

4.13.3 With that in mind the closer working with BBC News would appear to be a welcome development. Indeed we would question whether the whole network should not be run as part of the BBC News operation, in much the same way as BBC Local Radio. This could reinforce these working relationships and demonstrate the BBC's commitment to ensuring that 5 Live was rooted firmly in the delivery of news.

4.13.4 We also note that the schedule changes being proposed are examples of some of 5 Live's more distinctive content potentially being reduced, and we would be concerned if these were replaced by more sport discussion or entertainment programming.

### **BBC Asian Network**

#### **4.14 Summary of key proposals**

- Asian Network to receive a significantly lower budget.
- Target audience broadened to 25-45.
- Remove drama and documentaries, reduce weekday language programming.
- Close between midnight and 6am.

#### **4.15 Assessment**

4.15.1 RadioCentre will be responding separately to the service licence review of Asian Network, which is running in parallel with the consultation on DQF. Our core concern regarding Asian Network is that elements of its most distinctive content (drama, documentaries, minority language programming) is being removed. This is unfortunate as these are the very qualities of the service that make it most distinctive and a station worth retaining.

4.15.2 Following consultation with commercial radio stations serving the Asian community we would suggest that Asian Network re-evaluates its priorities. Alternatively if it is unable to

support a service providing unique output, the closure of the station should once again be considered. Its content could then be absorbed within other BBC networks (e.g. music being more integrated with Radio 1 and speech programming on Radio 4 or BBC Local Radio).

## **Platforms**

### **4.16 Summary of key proposals**

- BBC will roll out of its national DAB multiplex to 97%.
- It will 'partner' to expand local DAB coverage to 90% of homes by 2017, subject to the Government's decision on switchover.
- Medium Wave will be phased out locally where it duplicates FM.
- Long Wave will not be replaced.

### **4.17 Assessment**

- 4.17.1 The commitment to build out the national BBC multiplex to 97% of the population is welcome development for digital radio. The BBC agreed to extend the coverage of its national digital radio coverage as part of its licence fee settlement in 2010 and it is encouraging to see this written into the DQF plans.
- 4.17.2 However, the BBC's commitment to funding a fair proportion of local coverage remains unacceptably equivocal. Unfortunately it did not take the opportunity as part of the 2010 licence fee negotiations to simultaneously address the funding required to extend coverage of local DAB multiplexes, and as such has not chosen to take the lead role in enabling the extension of local coverage to happen quickly. Instead the BBC's role in supporting the build out of local DAB coverage appears to be dependent on commercial radio and Government committing to pay for most of the build out of local DAB (planned to cover 90% of the population by 2015).
- 4.17.3 The BBC has been much quicker to invest in the build out of the its national DAB multiplex, which carries all the BBC national networks but does not carry any competing commercial services. This multiplex already provides it with 93% coverage of UK households, with the firm commitment to grow this coverage to 97% outlined above. In contrast the local DAB layer delivers only some 66% household coverage.
- 4.17.4 Consequently there is a widening gap in DAB coverage between Radio 1 and Radio 2 and commercial radio, including Heart, Capital, Kiss, Smooth and many local stations, which are all competing for the same audience. This is having a material adverse impact on commercial operators and the slow progress of discussions with the BBC regarding the funding of the local DAB layer risks undermining industry and consumer confidence in DAB.
- 4.17.5 Separately we agree that the duplication of BBC output on Medium Wave and Long Wave is an anachronism and the phasing out of these platforms during the course of this Charter period would seem to be an appropriate response, even before considering the efficiencies that may be achieved as a result.



## 5. RESPONSE TO BBC MANAGEMENT'S PROPOSALS – LOCAL RADIO AND NATIONS SERVICES

### **BBC Local Radio**

#### **5.1 Summary of key proposals**

- BBC Local Radio to focus on breakfast, mid-morning and drive time
- Increase level of content sharing in off-peak slots ( weekday afternoons, evenings and Sunday afternoons)
- On weekday afternoons most services to share with neighbouring stations
- On weekday evenings output to be shared across England between 7pm and 10pm
- All stations to broadcast 5 Live from 1am until breakfast.

#### **5.2 Assessment**

- 5.2.1 BBC Local Radio has received more attention than any other as part of DQF. Initially it was not clear to those outside the BBC that the changes being proposed would have a particularly significant impact. The Trust document says that 'scope' savings for local radio (generated by schedule changes, more sharing, minus proposed reinvestment) are 4.2%, which is a relatively modest saving and still provides stations with more funding for content in 2017 (£119.8m) than they had in 2011 (£114.8).
- 5.2.2 Yet the BBC has said that the overall changes are expected to generate total savings of 12% once 'efficiencies' (including staff reductions) are taken into account, and that due to the relatively high fixed costs of building and technology associated with local radio production savings required on the ground will average out at around 19%<sup>39</sup>
- 5.2.3 In one sense the BBC's proposals were unsurprising given the overall cost of these stations, and the fact that its Local and Regional services only command 21% of local radio listening hours (compared to 79% to commercial radio). These listening figures have been in decline over recent years and the proposals being put forward are apparently designed to secure the most distinctive output at the most important times of the day. Indeed it has been stated that the proposals protect output during the parts of the day when 86% of listening takes place.
- 5.2.4 Yet equally it is understandable that listeners and supporters of BBC Local Radio are so exercised. 2.5 million people who tune into BBC Local Radio listen to no other BBC radio station. Moreover, BBC Local Radio largely serves a distinct audience that is not provided for by any other service (commercial or BBC), reaching 35 per cent of all pensioners every week.
- 5.2.5 Indeed we would expect BBC Local Radio to take the opportunity provided by DQF and the parallel service licence review to refocus its efforts on serving older audiences, potentially increasing its target age from 50+ to 60+ to reflect both its mission to provide a service to this audience and the UK's ageing population.
- 5.2.6 RadioCentre will be responding in detail to the service licence review of BBC Local Radio, which is running in parallel with the consultation on DQF. Our response reflects the fact that, by and large, commercial radio welcomes the complementary role that BBC Local Radio

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<sup>39</sup> This appears to be broadly accurate according to recent reports:  
<http://www.guardian.co.uk/media/interactive/2011/dec/11/bbc-local-radio-cuts-interactive>



plays. These are generally county-wide, speech and news services for older audiences, which should be able to co-exist relatively comfortably alongside commercial stations that are based in towns or regions and music and entertainment led. As such BBC Local Radio must remain predominantly speech services and not use the cuts to introduce more music-led programming.

- 5.2.7 This complementary approach makes sense as commercial radio is generally focussed on younger audiences. However, we would also stress that it is too simplistic to suggest that it no longer provides valuable local output, alongside the core music proposition. While it does offer more national brands, local commercial radio continues to play an important role in communities across the UK. A recent RadioCentre study found that commercial radio still broadcasts an average of 8½ hours of public service content each week; average of 19 news bulletins a day; with 70 per cent of news bulletins containing local news.
- 5.2.8 Therefore we would be concerned if the BBC's proposals led to the creation of a new tier of regional radio services, combining music with regional news and entertainment across larger networks, instead of delivering on a clear commitment to speech and local output.
- 5.2.9 As we have stated consistently throughout this response, while we understand that the BBC needs to make savings to meet the terms of its licence fee settlement, we do not accept that this should inevitably lead to its most distinctive output being diluted.

### **BBC Nations stations**

#### **5.3 Summary of key proposals**

- Focus on core news and feature output in peaks times, but with fewer programmes strands
- Reduced spend in off peak, through narrower range of programming and replacing most overnight output with 5 Live.

#### **5.4 Assessment**

- 5.4.1 The service licence review of the BBC's radio stations covering the Nations, which took place in 2011, included a welcome commitment to retaining the distinctiveness of these services,
- 5.4.2 In particular the Trust sought to secure the most valuable speech content, while warning against the expansion of popular music output as a means of producing less expensive content in the face of efficiencies that are likely to be required.
- 5.4.3 These priorities would appear to set a reasonable framework within which the Nations services will now need to operate. Indeed the focus on core news and feature output in peak times would appear to echo the broader priorities from BBC management as well as the guidance from the Trust.
- 5.4.4 What is not clear is exactly how the reduced spend in off peak programming will be achieved, other than the simulcasting of 5 Live during overnights. Therefore we would simply urge that the narrower range of programming being proposed should still consist of programming of high quality that delivers genuine public value, rather than seeking to imitate music or entertainment based programming that might be cheaper to produce but is already provided effectively on commercial radio and the BBC's own network stations.

## 6. CONCLUSION

- 6.1 This response represents a challenge to the BBC - as the founder of the UK radio industry and its driving force over the last century - to live up to its own mission and values. We believe that the BBC has a responsibility, and the opportunity, to ensure that its portfolio of radio services broadcast content that informs, educates and entertains listeners of all ages, and contribute to and encourage a healthy, diverse radio industry. The BBC Trust must help the BBC realise this responsibility.
- 6.2 The themes we return to throughout the document should be clear. The BBC should be using DQF as an opportunity to deliver additional and incremental public value to licence fee payers through a radical overhaul of its least distinctive services. This overhaul should also bear in mind the market impact of the BBC's activity across radio. Finally in revising the shape of its radio portfolio it must do more to seek to increase distinctiveness with fewer resources, and not accept that the only way to deliver higher quality is with ever greater funding.
- 6.3 These objectives are challenging and any changes that flow from tackling these issues will not be made without a degree of dissent or concern for particular service or programmes, or the individuals that produce them. However, as the BBC is only too aware it is not sustainable to continue doing everything that it has been used to in the current economic and political climate. As it stated in last year's strategy review, it must now deliver fewer things better. Unfortunately there is little evidence from DQF that this is a mantra that is being applied sufficiently rigorously across significant areas of BBC Radio.