

RADIOCENTRE RESPONSE TO OFCOM REVIEW OF MUSIC IN RADIO FORMATS (CALL FOR INPUTS)

EXECUTIVE SUMMARY

1. RadioCentre welcomes the review of music in radio formats, and the focus on whether the existing rules can be relaxed to give the industry greater freedom to adapt to changing consumer tastes. However, we would urge Ofcom to ensure that it takes the opportunity to **consider all aspects of the rules and regulations around formats in its full consultation**, including the levels of speech required.
2. **We agree that Ofcom should focus only on the formats of local commercial radio stations** and exclude certain other categories of radio licence from this review (such as national commercial stations, commercial DAB stations and community radio).
3. We have used this call for inputs to highlight the significant and growing **evidence of market changes, which will have implications for the future of format regulation**. These fall broadly into three inter-connected areas:
 - The growth in digital music services
 - Changes in the radio market
 - The blurring of musical genres
4. Against this background, **it no longer makes sense to categorise stations principally by the music described in their format**. Commercial radio is competing against Spotify, YouTube and aggregators like TuneIn radio, in a fast changing music and entertainment market. Consumers can now access an unprecedented range and diversity of music, supported by the infinite choice available online and the way that the radio market is now configured in the UK.
5. This in turn has fundamentally changed music consumption habits and provision, feeding through to and influencing music tastes and genres, which are now more eclectic and even more difficult to define in words. In this context, **radio stations should be as free as possible to choose what music they play, without requiring the regulator's permission to change format**.
6. There is **no compelling evidence that the current approach is the best way of ensuring Ofcom meets its statutory duties or providing any material benefits for listeners**. On the contrary the current framework can prevent radio stations from reacting to the demands of listeners.
7. Given that this consultation is simply a call for inputs we are not proposing a detailed alternative approach for the regulation of commercial radio formats at this stage. However, **we would suggest that Ofcom revisit its proposal from 2009 that suggested a move to a single 'broad music' format** for the vast majority of local commercial radio stations, and consider whether it is possible to streamline the format change process.

REGULATORY BACKGROUND

8. RadioCentre appreciates that Ofcom has certain statutory duties regarding the character of service to be provided by commercial radio stations. In particular, these duties stem from the Broadcasting Act 1990 (as amended by the Communications Act 2003). These are summarised on page 3 of the consultation document and the key clauses are provided at Annex 2.
9. Broadly speaking these provide for a combination of general obligations and licence requirements. For example, Ofcom's statutory duties include general obligations to ensure radio

services ‘*appeal to a variety of tastes and interests*’¹ and provide ‘*a range and diversity of local services*’². In addition, there are specific requirements for Ofcom to take into account ‘*the selection of spoken material and music in programmes included in the service*’³ when considering licence applications, and for applicants for a local service to ‘*broaden the range of programmes available by way of local services available to persons living in that area or locality*’⁴.

10. Nevertheless, Ofcom has acknowledged previously that it retains a good degree of discretion in this area, and that there may well be a compelling argument to act to simplify the requirements. Indeed the changes introduced by Ofcom in 2008⁵, which removed much of the detail from the face of the format documents, seemed to demonstrate this appreciation for the need to provide more flexibility.
11. In 2009 Ofcom also took the opportunity to highlight changes in the consumption and availability of music, as well as the blurring of genres and demographic appeal. At that time it appeared to accept that these were relevant factors, which could provide a basis to move to a single ‘broad music’ definition for the vast majority of local commercial radio stations⁶.
12. More recently, in July 2013, when this matter was raised with the Chief Executive of Ofcom by the Chairman of the Culture, Media and Sport Select Committee he stated ‘*we can see a very credible argument for further relaxation in terms of format and music choice*’⁷. We gather that this understanding and appreciation of the arguments for relaxation is part of what prompted the now Minister of State for Culture and Digital Industries, Ed Vaizey MP, to announce that Ofcom would undertake a review of music formats for commercial radio ‘*to see if these (rules) can be relaxed to give the industry greater freedom to adapt to changing consumer tastes*’. Ofcom will be aware that he also went on to say that that DCMS and Ofcom would ‘*look more closely at other rules and regulations that exist around radio, to ensure they are fit for purpose in a digital age*’⁸.
13. RadioCentre welcomed this announcement and was pleased to see the review of formats later confirmed in the Ofcom Annual Plan for 2014/15. Therefore we also welcome this call for inputs and the process that is now underway to consider the evidence in this area.

REMIT AND FOCUS OF THIS REVIEW

14. This review is taking place during a period of significant change and evolution in the radio industry, and at a time of unprecedented listener choice and technological change. These market changes and competitive challenges are addressed in further detail below. Given the extent of these changes it is disappointing that this call for inputs appears to focus solely on *music* formats on local commercial radio stations (para 1.8), rather than considering the role and impact of all elements of the format, including the role of de facto *speech* quotas.
15. While there are no longer specific percentages of the speech content required (at least on the face of a radio station’s format document), quotas would still seem to be in place in practice due

¹ Section 3(2) of the Communications Act 2003

² Section 85 (2) (b) of the Broadcasting Act 1990

³ s.312 Communications Act 2003 (amending s.106 of 1990 Act)

⁴ Section 104(2) (b) of the Broadcasting Act 1990

⁵ <http://stakeholders.ofcom.org.uk/broadcasting/radio/formats-content/about-formats>

⁶ <http://stakeholders.ofcom.org.uk/binaries/consultations/radio/summary/condoc.pdf>

⁷ <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmcmums/508-i/508i.pdf>, EV18

⁸ <https://www.gov.uk/government/speeches/go-digital-conference-16-december-2013-check-against-delivery>

to the way current requirements are being interpreted. This was brought to light in a recent case⁹ where Ofcom stated that where a commercial station was required to provide a 'full service' format, this would be interpreted as a speech quota of 30-50%.

16. It was our understanding from earlier discussions with Ofcom that this consultation process would be genuinely open and that nothing would be ruled out, and therefore that this issue would be within scope. However, the call for inputs document appears fairly explicit that it is only seeking evidence in relating to how Ofcom regulates music. It goes on to state that *'we are not reviewing localness as we published new consumer research only last year which supported our current approach'* (para 1.8).
17. RadioCentre would make two observations on this statement. Firstly, it seems to be based on the assumption that speech requirements within formats are always linked to localness. While some overlap exists, it is also quite possible to deal with these two concepts separately. A quota of 30-50% speech does not of itself require local output, and similarly a review of such quotas does not require a complete review of localness rules and their regulatory basis.
18. Secondly, it is not clear that Ofcom's approach to protecting localness is supported by consumers. While local content is clearly valued by listeners, the research cited in para 1.8 did not consider location of broadcast in any detail. Even when listeners were asked about local presenters at different times of day, only a very slim majority of 52% thought this was important at breakfast (and a minority at all other times). Moreover, recent research commissioned by RadioCentre found that listeners said 'providing local news and information' was three times more important than 'local studio location'¹⁰. Therefore we would urge Ofcom to ensure that it takes this opportunity to truly consider the rules and regulations around formats by including speech quotas within the scope of any review.
19. Otherwise Ofcom is correct to propose that the focus of this review should be on local analogue commercial radio services, rather than other categories of radio licence. In particular, the three national analogue commercial radio services are appropriately out of scope (para 1.9), due to the fact that they are subject to additional statutory requirements. This would make any meaningful regulatory changes too difficult to achieve in the short term.
20. In addition, there should be no question of reviewing the regulation of music played on DAB digital radio. As Ofcom notes (in para 1.10) the services carried on DAB multiplexes are subject to a different regulatory regime and statutory framework, which is an appropriate arrangement for services on that platform. The fact that any changes to analogue regulation would be reflected on simulcasts of digital radio services is incidental.
21. Any attempt to impose format regulation or additional requirements upon digital radio would be a retrograde step and would be inconsistent with the proposed moves towards further relaxation on analogue radio. Indeed the increasing proportion of DAB listening hours for local commercial stations would seem to be an argument for moving towards a system that is more closely aligned to the regulation of digital radio.
22. For a number of commercial radio stations their analogue (FM or AM) listening hours are now a minority or reducing, compared to listening on DAB or other digital platforms. For example, only 40% of the national listening hours of Kiss are on FM (46% in London) and only 21% of listening

⁹ <http://stakeholders.ofcom.org.uk/binaries/enforcement/broadcast-bulletins/246/obb246.pdf>

¹⁰ Kantar Media, Public Value of Commercial Radio, Oct 2013

on Absolute Radio is on an AM or FM platform nationally. Other stations like Capital Xtra now see only 51% of their hours coming from FM nationally and Magic 52% nationally¹¹. For most stations FM does of course remain the predominant platform. However, given the growth in digital listening and this evolution in listening habits it may be more appropriate to question whether the retention of analogue regulation remains suitable for many of these services.

23. As radio seeks to evolve and compete more effectively with other online and digital content services, it may be that continuing with the current approach to content regulation is not only inappropriate but also actively damaging to the interests of UK based content providers. It would be unfortunate if a well-meaning, but ultimately misguided, set of rules and regulations from another era were permitted to stifle innovation and future growth in these particular digital and creative industries.
24. Separately we also note that Ofcom has highlighted the significantly different statutory regime and different statutory objectives that apply to community radio (para 1.11). As Ofcom will be aware community radio is required to be *'for the good of members of the public or of particular communities...in order to deliver social gain, rather than primarily for commercial reasons or for the financial or other material gain'*. It must also *'not prejudice unduly the economic viability of any other local service'*¹² such as local commercial radio.
25. Therefore retaining the distinctive mission and focus of community radio is important. Moreover, most community radio stations are in receipt of public funding, either directly through the Community Radio Fund or through local authority grants and sponsorship. So while we would expect Ofcom to consider the implications of any changes to formats for commercial radio on this sector, we believe that the combined effect of these factors means that community radio stations should be required to ensure that they retain the utmost distinctiveness.

EVIDENCE OF MARKET CHANGES

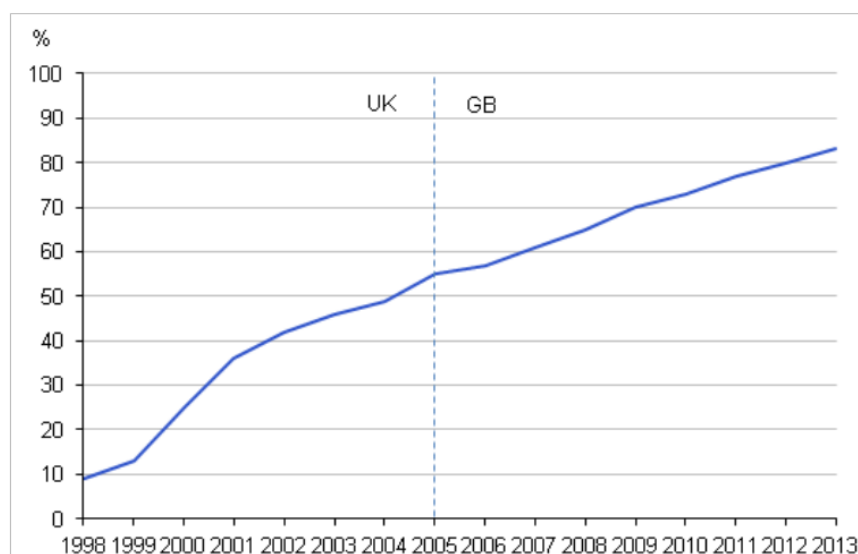
26. Given that this submission is in response to a call for inputs (rather than a full consultation on the substantive issues), much of the focus of this document is on providing evidence of relevant market changes and developments. This data and analysis considers three main areas.
 - The growth in **digital music services** and internet connected devices in the UK – and its impact on consumption of music.
 - **Changes in the radio market** with the expansion in choice and availability of stations (and consolidation in commercial radio) – supporting an increasing range and diversity of output.
 - The evolution of **multiple musical genres** and sub-genres – making it increasingly difficult to define particular artists or tracks as being clearly one type of music or another.
- **Digital music services**
27. Ofcom is right to highlight the increased availability of music content services in recent years, which have led to considerable changes in the way that consumers access music. This change has been made possible due to the rapid growth in internet connectivity and IP connected devices. As outlined in Figure 1 below, household internet access was less than 10% in 1998. According to the most recent update this figure is now stands at 87%¹³.

¹¹ All figures from RAJAR Q1 2014

¹² [The Community Radio Order 2004, Sections 3\(1\)& 5\(3\)](#)

¹³ http://www.ons.gov.uk/ons/dcp171778_362910.pdf

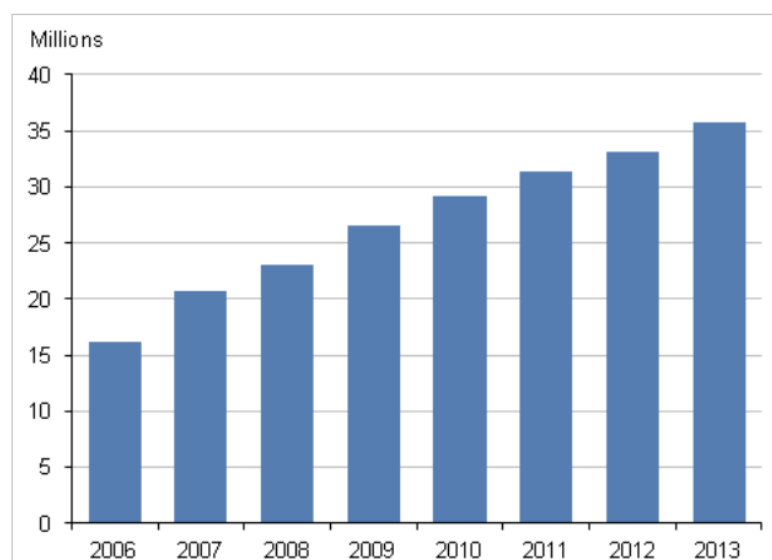
Figure 1: Households with internet access 1998 - 2013



Source: Office for National Statistics

28. Unsurprisingly this expansion in internet access has been accompanied by a marked increase in those who use it on a daily basis – rising 120% between 2006 and 2013 from 16.2 million to 35.7 million people (or 73% of the adult population). This is illustrated in Figure 2, below.

Figure 2: Daily internet use 2006 -2013



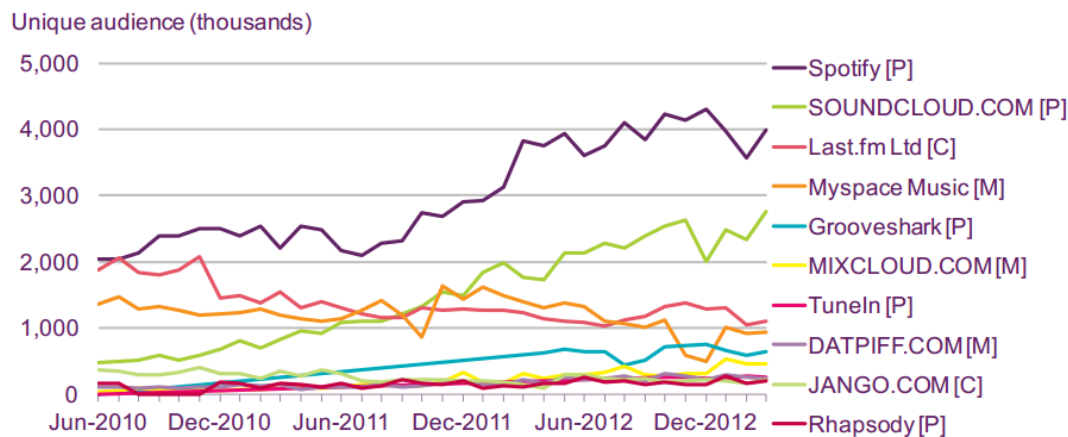
Source: Office for National Statistics

29. The parallel take up of smartphones, tablet computers and other devices with internet-connectivity has also been well documented. Ofcom's 2013 figures show that half of all adults claim to own a smartphone (51%) – equivalent to 56% of mobile users – with the proportion of consumers with one of these devices doubling over two years. Household take-up of tablet

computers has undergone an even sharper rise, more than doubling from 11% in Q1 2012, to 24% in Q1 2013¹⁴.

30. This combination of factors, along with the development of digital music formats and streaming, have underpinned a massive expansion in the choice and availability of music. Broadcast radio is now just one of a multiplicity of sources of music. Music is now accessible in a variety of locations and from a range of different sources that were unimaginable just a few years ago. The popularity of music streaming services such as Spotify have become an increasingly important part of the music listening habits of UK audiences.
31. The chart below, published in Ofcom's own research, illustrates the growth in audience of some of the leading audio services in this space up to 2012, and the emergence of Spotify and Soundcloud as market leaders. However, it is a sign of the pace of change in this market that this data pre-dates the launch in the UK of music streaming services from Google, Deezer or Blinkbox – as well as the impending arrival of iTunes Radio and/or Beats Music.

Figure 3: Unique audiences of selected music streaming sites



Source: comScore MMX, UK, home and work panel, March 2013

32. In 2013 there were 71 legal digital music services in the UK¹⁵ and more than one in four (27.7%) people in the UK claimed to use legitimate digital music services to purchase downloads or stream content¹⁶. This is reflected in published data on the growth in popularity of music streaming, which reportedly doubled in the UK between 2013 and 2014, from 100 million to 200 million streams a week, currently averaging 260 million¹⁷.
33. The majority of streaming users access music on free, ad-supported tiers, a significant proportion (17.3%) now pay a monthly subscription¹⁸. Spotify has more than 24 million active users and over 6 million paying subscribers globally, as of March 2013¹⁹. The company's UK subsidiary published financial results for 2012 last November, when it generated £92.6m from British customers, including £64.8m from subscriptions and £9.1m from advertising. The UK accounted for just over a quarter of Spotify's global revenues in 2012²⁰.

¹⁴ Ofcom Communications Market Report, August 2013

¹⁵ https://www.bpi.co.uk/assets/files/BPI_Digital_Music_Nation_2013.pdf

¹⁶ https://www.bpi.co.uk/assets/files/BPI_Digital_Music_Nation_2013.pdf

¹⁷ <http://www.bbc.co.uk/news/entertainment-arts-27924176>

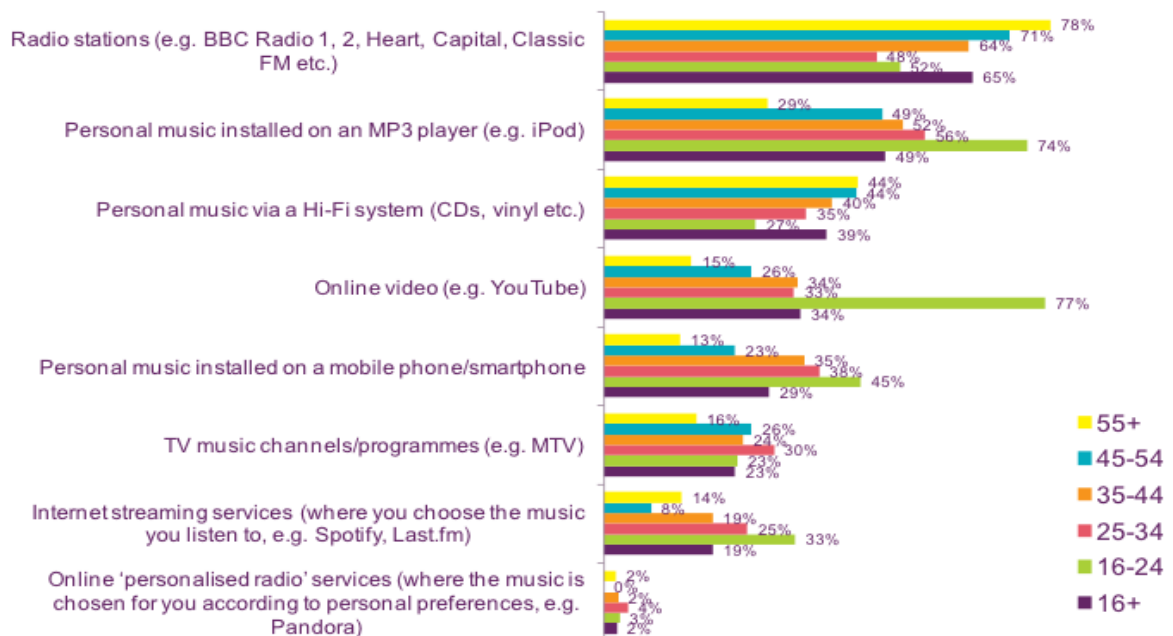
¹⁸ https://www.bpi.co.uk/assets/files/BPI_Digital_Music_Nation_2013.pdf

¹⁹ <http://www.musicweek.com/news/read/spotify-launches-in-four-new-markets/056153>

²⁰ http://www.theguardian.com/technology/2014/apr/25/spotify-itunes-apple-europe-streaming-music?CMP=tw_t_gu

34. Unlike Spotify, YouTube is not yet included in the BPI's figures (or the chart above), but figures from Vevo, which runs many of the biggest YouTube music-video channels, show British users streamed 932m music videos in the first six months of 2013 alone²¹. Nielsen puts the daily YouTube audience in the UK at 22m²², whilst worldwide it has 4 billion daily video views²³.
35. It is also well documented that the digitisation of music content has enabled it to be shared and accessed illegally. BitTorrent and P2P remain the most popular methods of obtaining copyrighted material illegally, with around 4m people in the UK using them each month. Legally purchased tracks still represented less than half the number of tracks downloaded in total from legal sites and BitTorrent – and this does not include all the tracks sourced illegally from locker sites, other P2P protocols, stream rippers, illegal paysites, blogs and forums²⁴.
36. The competition for the attention of listeners provided by these multiple digital platforms comes from a variety of different sources, depending on the age and interests of listeners. Evidence of this growth in competition is available from research that Ofcom has commissioned previously (summarised in the chart below)²⁵. As well as demonstrating the relative importance of the competitive threats facing commercial radio of different sources of music, this research also demonstrates some of the variations in behaviour according to age. Younger people in particular are inundated with free online music services and ways to personalise their listening and are taking advantage of this in significant numbers (with online video, such as YouTube, and personal digital music being particularly popular).

Figure 4: Ways of listening to music (by age group)



Source: YouGov research, May 2013

Base: All adults aged 16+ who say they listen to music regularly (n= 640)

Q36. Thinking about how you listen to music, which of the following do you use regularly? Please choose all that apply.

²¹ <http://musically.com/2013/10/09/vevo-publishes-its-latest-stats-for-the-uk/>

²² https://www.bpi.co.uk/assets/files/BPI_Digital_Music_Nation_2013.pdf

²³ <http://www.reuters.com/article/2012/01/23/us-google-youtube-idUSTRE80MOTS20120123>

²⁴ https://www.bpi.co.uk/assets/files/BPI_Digital_Music_Nation_2013.pdf

²⁵ Ofcom Communications Market Report, August 2013

37. A number of additional sources of research have also demonstrated the impact of this evolution in music listening habits in recent years. Ofcom will be aware of work carried out and commissioned by the BBC to consider changes in overall 'share of ear' rather than just within traditional radio listening. At a headline level this implies that radio has managed to retain a relatively strong position, with around 82% share of ear (according 2010 data, the most recent that is available publicly). However, for younger listeners this share was already much lower, at around 56%²⁶. It is likely that both of these figures have declined in the past few years as non-radio sources of audio have grown.

- **Changes in the radio market**

38. There have also been a number of very significant changes in the radio industry in recent years, which we believe Ofcom should take into account when considering its future approaches to music formats.

39. Some of these developments, such as the number and availability of radio stations, are referenced specifically within the consultation document. Indeed Ofcom identifies that there are far more radio stations now than when the original legislation on radio licensing and content was drafted. To be clear in 1990, the year when the Broadcasting Act received Royal Assent, there were only around 100 local commercial radio stations, no national commercial stations and no DAB stations (BBC or commercial).

40. This is in stark contrast to 2014 where there are now 292 local commercial licences, 3 national commercial stations, around 40 DAB-only stations. In addition the BBC now offers 5 national DAB networks, as well as its 5 analogue services and local radio operation, while there have also been over 200 community radio licences issued by Ofcom.

41. Digital distribution across DAB multiplexes also provides significant opportunities for stations to provide out-of-area services to parts of the country not covered under their analogue licence. As a consequence UK listeners now have the choice of an average of 20 digital radio stations²⁷. In some of the major markets this is much higher, with 36 stations on the London multiplexes, 15 available locally in Glasgow, 11 in Manchester and 11 Birmingham (all in addition to the 25 national stations).

42. This choice of digital radio stations is set to increase still further in the next few years, given the development of further variants of digital broadcast technology, including DAB+ and small scale DAB, as well as the announcement that a second national commercial multiplex (Digital Two) is to be launched.

43. There is also evidence that this expansion of choice is being utilised by listeners. So, while people listening on AM/ or FM listen to an average of 3 stations each week, those on DAB listening to 3.5 stations (and 4 stations for DTV and internet listeners)²⁸. Therefore, those listeners with greater availability and choice are listening to a broader range of radio stations.

44. Another major development in recent years has been the extent of consolidation of ownership in the commercial radio industry. This is not referenced directly in the consultation document,

²⁶ http://www.ipsos-mori.com/Assets/Docs/Publications/IpsosMediaCT_RadioSeminar.pdf

²⁷ Figures provided by Digital Radio UK

²⁸ Rajar Q1 2014

but we would argue that this has had a positive impact on the range and diversity of services available in any given market and should allay any concerns about the impact of further deregulation.

45. For example, Global Radio, which provides services that account for around 41% of all commercial radio listening, sustains a range of different services with different music playlists – including Capital, Heart, Smooth, Capital Xtra, Gold, Xfm and Classic FM. Similarly, Bauer, which provides services that account for around 31% of all commercial radio listening, offers a range of different services including Magic, Kiss, Absolute Radio, several digital-only services and a number of large local services (within its Place portfolio).
46. It is in the interests of such companies to continue to provide differentiated services to listeners and advertisers, rather than multiple services that provide similar content in the same market. To do otherwise would cannibalise their audience and ultimately their advertising revenue. Yet the provision of different types of services in the radio market by single operators should provide some considerable comfort for Ofcom, as this behaviour will support its duty to provide a wide range of radio services that cater for a variety of tastes and interest.
47. This is good for listeners, but also a helpful factor in supporting the development of the UK's £3.5bn music industry. It is widely accepted that radio continues to provide a powerful promotional tool for music. It provides a crucial source of information about, and exposure for, new music and artists and has a great influence on consumers' choice of recorded music purchases and their decisions to attend live performances. Therefore a strong and diverse radio sector of this nature is in the interests of the UK's creative industries more broadly.
48. Clearly smaller and medium sized radio stations need to be able to co-exist comfortably alongside these larger stations, which tend to operate a different business model. The crucial difference being that many of the larger stations are national brands focussing on national advertising, whereas most small local stations make a virtue of localness and what they are able to offer to local advertisers. There is no suggestion that changes to format regulation will change this dynamic or undermine this diversity.

- **Blurring of musical genres**

49. Alongside changes in music listening habits there has been a proliferation in musical genres and sub-genres. In part, this may be a consequence of the huge expansion of choice and accessibility of different types of music, and a need for artists to differentiate themselves. There are a number of specific examples of how this growth and blurring of different musical genres has exhibited itself in practice. For example, electronic music in particular is renowned for creating multiple variations, with as many as 200 sub-genres being cited²⁹.
50. In addition, the growing popularity of remixes and reworking of existing tracks makes it increasingly difficult to label particular artists or tracks. For example, a song by a rock artist may be remixed and become an electronic music track, but still feature elements of the original rock song. Similarly, extensive parts of an original jazz recording might be sampled and used by an RnB or hip-hop artist, or elements of a classical music recording might become part of a dance music track.

²⁹ http://en.wikipedia.org/wiki/List_of_electronic_music_genres

51. In practice this means it is difficult to label particular artists or their music using the sort of terms that appear in a written format document. For example, Ed Sheeran was recently nominated as the most influential artist in contemporary and urban music by BBC 1Xtra, which claims to be the UK's leading black music station. However, his music could equally be described as pop, chart, contemporary, rhythmic or even occasionally melodic or easy listening.
52. Similarly, a band like Bastille have deliberately sought to defy categorisation and have consequently been described as pop, rock, electronic and dance. Whereas an artist like Avicci has also demonstrated the way in which artists mix up a variety of musical genres and influences, with everything from dance and RnB, to pop, rock and country being evident in his music.
53. The popularity of artist collaborations also demonstrates the difficulty in defining particular styles. Whether it is Coldplay and Rhianna, Ellie Goulding and Calvin Harris or Paloma Faith and Pharrell Williams, a whole range of artists may choose to come together and produce something unique. Such songs could be classified as pop, chart, contemporary due to their broad appeal, or dance, rock, RnB or rhythmic due to the various influences of the artists.
54. This blurring of music genres and changing musical styles makes it difficult to define a station principally by its music, or use particular stock phrases or terminology in an attempt to describe its sound. Audiences and artists are not confined to a particular genre or category of music. Labelling such tracks as simply rock, rhythmic, jazz or classical is very difficult and open to interpretation. And while almost all such music could be described as pop, contemporary, chart or broad music, the use of multiple terms to describe such a range of output seems cumbersome and an unnecessary complication.
55. These changes – alongside the increased access to a much more diverse range of music at the click of a button – may be part of the reason that music listeners appear to have developed more eclectic tastes than in the past. While this is a difficult concept to quantify, we note that Ofcom refers specifically to research from BBC Marketing and Audiences that suggests that musical tastes nowadays transcend generations (para 2.10).
56. In addition, it is possible to detect examples of this behaviour by considering the continuing high proportion of older listeners who listen to stations with music targeted at young audiences. So for example:
 - The adult 45+ audience to Kiss (UK) has grown 67% since 2005, much faster than the overall audience growth of 53% over that time (and despite the fact that it has an average age of 29 and is targeted at under 30s).
 - The adult 45+ audience to Radio 1 has grown 28% since 2005, much faster than the overall audience growth of 5.5% over that time (and despite the fact that it has an average age of 32 and is targeted at 15-29 year olds).
57. A similar (but opposite) pattern of behaviour is also evident with younger listeners, many of whom continue to listen to stations that are targeted at older audiences.
 - The 15-24 audience to Radio 2 has grown 28% since 2004, much faster than the overall audience growth of 17% over that time (and despite the fact that it has an average age of 49 and is targeted at over 35s).
 - The adult 15-24 audience to Magic (UK) has also grown in terms of weekly reach since 2005, up from 511,700 in Q4 2005 to 525,800 in Q4 2013 (and despite the fact that it has an average age of 41 and is targeted at over 35s).

IMPLICATION OF MARKET CHANGES

58. Therefore there is extensive evidence:

- That significant market changes have occurred in the access to and consumption of music in the UK – driven by the expansion of internet access, IP connected devices and growth in digital music services.
- Of a significant growth in the choice and availability of radio stations, and consolidation within the commercial radio market – which has supported the range and diversity of stations on offer to consumers.
- That the number of musical genres and sub-genres have expanded – making it increasingly difficult to define particular artists or tracks as being clearly one type of music or another.

59. We believe that these changes have a number of implications for the radio industry and the existing framework for regulating music formats. Specifically they create an environment where it no longer makes sense to categorise stations principally by their music as described by a format or contained in a character of service.

60. This is because of the unprecedented range and diversity of music, which is now supported by the infinite choice available online and the way that the radio market is now configured in the UK. This in turn has fundamentally changed music consumption habits and provision. It has also fed through and influenced music tastes and genres, which are now more eclectic and practically impossible to define in words.

61. In recent years Ofcom appears to have recognised this need for commercial radio formats to evolve, in order to reflect some of the changes outlined above. Prior to 2008 these formats also included detailed speech and music quotas, which would specify the proportion of music of a particular genre, era or appeal. However, Ofcom agreed to remove these detailed requirements in February 2008 following consultation.

62. This was a welcome move, and Ofcom is correct to highlight that broadcasters are now required to play music under much more general descriptions as outlined in para 2.12 of the consultation document. It is also true that specific quotas of music and speech no longer appear on the face of a radio station format or within its character of service description.

63. However, the way that Ofcom manages compliance with formats means that many stations are still, in effect, required to meet de-facto quotas of certain types of content. For example, a 'contemporary' or 'chart music' station must ensure 66% of its output is from the past 2 years. In addition, as noted above, a station that is described as 'full service' would appear to be required to provide speech output of between 30-50%. Stations failing to meet this requirement could be in breach of their licence. Moreover, if stations wish to amend their character of service, so that they can change or adapt the type of music they play or speech output, then they must first seek consent from Ofcom.

64. The continued use of de-facto quotas, alongside a cumbersome and bureaucratic format change process, is why we believe that the current system is failing to strike the right balance between allowing stations to adapt to changing tastes and preserving a distinctive character of service.

65. Commercial radio stations are prevented from reacting to the needs and demands of listeners in a fast changing music and entertainment market. In a world of Spotify, YouTube and TuneIn

radio, the worldwide online station aggregator app, radio stations should be as free as possible to choose what music they play, without requiring the regulator's permission to change their format.

66. The range of services now available to listeners mean that this kind of regulation is no longer necessary, but it creates an uneven playing field for commercial radio stations competing for listeners' attention with online services. No other medium is subject to this degree of micro-regulation. The current rules should be reformed and commercial radio should be free to innovate and grow its business.

ALTERNATIVE APPROACHES

67. Continuing with the current system will create practical, operational and financial difficulties for commercial radio operators large and small. In particular, a number of radio groups operate stations with the same brand, station imaging and (where permitted) presenters, but due to the inconsistencies in formats are required to maintain a differentiated music playlist. This involves time, inconvenience and ultimately cost for the radio station, which is especially difficult to justify given that it provides no additional value for the listener or their experience.
68. At present the only way to remedy such an issue is for a radio station to seek a format change with Ofcom. However, engaging in such a process is unwieldy, bureaucratic and a drain on the limited resources of Ofcom and commercial radio stations themselves. It also seems disproportionate given the relatively modest changes that are often required, and there is no evidence that this current arrangement does anything to further Ofcom's primary duty of protecting the interests of consumers or citizens.
69. As we have noted earlier, Ofcom acknowledged previously that it retains a good degree of discretion in this area. Specifically, in 2009 it highlighted relevant factors, which could provide a basis to move to a single 'broad music' definition for the vast majority of local commercial radio stations³⁰. We believe that this approach merits further investigation and should be considered in detail as part of the full consultation.
70. As part of this it would be helpful to consider the practical steps of how radio stations might be provided with the opportunity to make the transition to become broad music stations, without entering into a full format change process as required at present. Or indeed whether the format change process itself could be simplified.
71. As far as other alternative approaches are concerned, the main possibility would appear to be a system based on providing a wide range of services based on age demographics. While we can see the justification for such an approach within a single publicly-funded organisation like the BBC, it is hard to see how such an approach would work for commercial radio. BBC radio services are provided with large amounts of public funding, a specific cultural or social mission and a requirement to limit their competitive impact. Therefore it is right for Radio 1 to be required to focus on a young audience (currently 15-29) as part of this arrangement.
72. It would not be appropriate for Ofcom to segment the demographics of each commercial radio market, in order to try and provide a separate service for each age group. To do so would represent a significant level of intervention and central planning, at odds with the proposed

³⁰ <http://stakeholders.ofcom.org.uk/binaries/consultations/radio/summary/condoc.pdf>

remit of this review outlined by the Minister, which was to see if the current rules can be relaxed in order to respond to consumer tastes.

ABOUT RADIOCENTRE

73. RadioCentre is the industry body for commercial radio. It represents a range of commercial radio groups and stations from independent, small-scale ventures, to household names serving major metropolitan areas. RadioCentre's member companies operate 276 licensed radio stations across the UK, through 45 different businesses, which represent 90% of commercial radio in terms of listening and revenue.

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