

Submission to Conservative Review of the Creative Industries

Introduction

1. RadioCentre is the industry body for Commercial Radio. Its membership comprises the overwhelming majority of UK Commercial Radio stations, who fund the organisation, including all the major groups. The role of RadioCentre is to maintain and build a strong and successful Commercial Radio industry in terms of both listening hours and revenues.

Background

2. Radio is a much-loved part of daily life in Britain, listened to by 90% of the adult population for an average of 20 hours a week. Radio's coverage is universal and mobile; radio listening is free; sets are inexpensive, and consumption requires no literacy skills. As such, in a Digital Britain, we believe these fundamental traits mean radio can remain strong, delivering information and entertainment in a convenient and complementary way, as part of a rich media ecology.
3. Commercial Radio is a crucial part of this sector, with over 300 stations broadcasting a diverse range of output alongside national and local BBC services and Community Radio. Although its share of overall listening has declined in recent years, Commercial Radio continues to attract high proportions of young and local audiences, gaining 51% of all listening of those aged under 55, 76% of all local radio listening, and 91% of all local listening by those under 55¹.
4. The industry therefore has a valued role in providing local content and is a contributor to the plurality that is fundamental to our democracy. RadioCentre believes that these strengths provide a sound basis for Commercial Radio's ongoing importance to the creative industries; however, the sector is facing significant challenges which will require action both from within, from Government and from Ofcom.

A transformed landscape

5. Like television and print media, Commercial Radio is feeling the combined effects of a severe economic downturn and significant structural change in advertiser behaviour. In particular, advertising revenues have migrated to on-line and digital media.
6. This is compounded by the fact that Commercial Radio's local audiences and revenues have cannibalised themselves due to over-supply in the market². The net effect of these changes and the current economic situation has been revenues falling to a five year low: total revenue for Commercial Radio in Q4 2008 was £116m; the lowest quarter since the 2003 Communications Act.

Commercial Radio's Vision

7. Against this background Commercial Radio has come together to articulate a clear vision for a digital future which, for radio, has the potential to deliver much greater diversity of choice; effective competition at a national level with the BBC and more investment in content following an end to dual transmission costs. Our vision encompasses the needs of listeners, advertisers and industry:
 - To deliver the majority share of radio listening in Digital Britain
 - With three strong tiers of listener choice:
 - Strong national brands to compete with BBC
 - Large local and regional services, on DAB, to deliver news, information and entertainment to reflect the tastes of their area
 - Small local and community services in smaller towns
 - Via new content, innovative programming and interactivity
 - Which, as a consequence, re-engages advertisers' passion for radio and grows our revenues, fuelling further investment in content

¹ Rajar Q1, 2009

² Since 1998 the number of commercial stations has grown by 34%, but total listening hours are the same and revenue is up only 1.6%.

8. Commercial Radio is committed to realising this vision and, if it is afforded the right support from Government and Ofcom, will be well placed to invest with certainty in new content and maximise the opportunities presented by new platforms. This requires a number of regulatory and legislative changes that are informed by the dramatic transformation in the media landscape.

Getting fit for the digital future

9. RadioCentre has been working closely with the Digital Britain team and Ofcom to determine what interventions are required and urges the Conservative Party to support the following proposals as it considers its policies on the creative industries.
- **A commitment to a digital switchover date for radio**, leading to greater choice for listeners, investment in content and certainty for broadcasters and manufacturers.
 - **A new method of regulating local radio which minimises regulatory intervention in production**, giving operational flexibility to stations whilst ensuring that the content which matters most to listeners is secured.
 - **Measures to enable the radio industry and Ofcom to re-plan the local DAB network**, including giving new powers to Ofcom to merge and extend multiplexes and change frequencies, and committing public money to support the extension and enhancement of coverage.
 - **An extension to DAB multiplex licences** to provide security and an incentive for the significant investment in the new coverage map.
 - **An extension of all current analogue radio licences up to digital switchover** to ensure greater certainty and focus on migrating to digital.
 - **New OFT rules on local media mergers**, applied equitably across all local media in order to recognise the extent of cross-media substitution and to prevent any asymmetry between different local media.
 - **Update media ownership regulations** so plurality is assessed across all media rather than a single sector like radio. In particular we believe it is outdated that the smallest medium, radio, is subject to the greatest level of ownership regulation.

Partnership and competition with the BBC & Community Radio

10. In addition to planning the drive to digital, Commercial Radio is partnering with the BBC to devise interventions that will secure radio's place in the digital age. This will include a shared online live radio player, multiplatform electronic programme guide and a range of exclusive digital-only content. Commercial Radio and the BBC share an ambition for the longevity and success of the radio medium.
11. However, partnership with the BBC is not the panacea for a successful future for Commercial Radio: BBC Radio remains a significant competitor for Commercial Radio, and RadioCentre continues to work to demonstrate where the BBC's role needs to be constrained or more clearly defined. Similarly, whilst exploring partnership opportunities with Community Radio, we believe it is vital that, so long as there are distinct tiers of radio, their remits, regulation and funding remain distinctive.

Conclusion

12. Radio can and will thrive in this digital age. However, if Commercial Radio is fully to seize the opportunities offered by digitisation, regulation that unnecessarily limits and restricts the industry must be re-shaped.
13. Commercial Radio stations will continue to serve their local communities with dedication and passion. Yet the system which supports these stations is no longer fit for purpose. Re-targeted localness regulation, relaxed ownership rules and partnerships will, in totality, advance the industry's digital ambitions and help secure a healthy and prosperous Commercial Radio sector.