

RADIOCENTRE RESPONSE TO BBC CHARTER REVIEW CONSULTATION: TOMORROW'S BBC - CREATING AN OPEN, MORE DISTINCTIVE BBC

1. Background

- 1.1 Radiocentre welcomes the opportunity to contribute to this consultation on proposals made by the BBC as part of its *British, Bold, Creative* paper in response to the Charter Review process. As the Trust will be aware Radiocentre has already provided a detailed submission in response to the DCMS Green Paper on Charter Review. This document is available in full on our website¹ and outlines our views on the future of the BBC as well as some of the issues that are raised in this consultation. In addition we have responded to the House of Lords Communications Select Committee which called for evidence on the public purposes and licence fee of the BBC² and the Culture, Media & Sport Select Committee inquiry into BBC Charter Renewal³.
- 1.2 This consultation (Tomorrow's BBC – Creating an open, more distinctive BBC) provides a useful forum to address some of the concerns that the commercial radio sector has with proposals that have been outlined by the BBC as part of its vision for the next 10 years. The main issues that Radiocentre will comment upon are: the Local Accountability Reporting service; the 'News Bank' concept; elements of the iPlay platform for children; the personalised radio proposal; and the Digital Music Service.

2. Inform

- 2.1 As we highlighted in our response to the DCMS Green Paper on Charter Review, one of the areas of public service content that has attracted most attention has been the provision of local news in future and ways that the BBC should work alongside other news providers. Specifically, the BBC has outlined two proposals for working in partnership with local media - a Local Accountability Reporting Service of 100 public service reporters across the country and 'News Bank' of regional video and audio content.
- 2.2 Although it is encouraging to see the BBC seeking to develop a partnership approach to local media, it is probably too early to say whether or not these proposed local news partnerships will be genuinely useful. Much more detail needs to be made available before a thorough assessment can be made. For example, it is not even clear at this stage whether these opportunities would be available to a full range of local media outlets (including local radio).
- 2.3 They also raise some significant issues relating to the scope of the BBC. In particular some commercial operators would be concerned if this led to an expansion by the BBC into local reporting with the funding of an additional 100 of its own journalists. This could have serious implications for plurality in the provision of local news if it led to the expansion of the BBC's role in local newsgathering at the expense of local press and radio.
- 2.4 Nevertheless, the recent comments made by the Secretary of State on this issue were encouraging, when he stated that, *'it is important that it should help local media rather than further undermine them and I would therefore hope that the BBC would not seek to recruit or employ these journalists directly. Instead they should look to commission content from qualifying local media organisations and news agencies perhaps on the basis of tender'⁴*. We look forward to further clarification from the BBC that this is the approach that they are seeking to adopt.

¹ <http://www.radiocentre.org/wp-content/uploads/2015/10/Radiocentre-response-to-DCMS-Green-Paper-on-BBC-Charter.pdf>

² http://www.radiocentre.org/wp-content/uploads/2015/06/RC-response-to-BBC-Charter_House-of-Lords.pdf

³ http://www.radiocentre.org/wp-content/uploads/2015/06/RC-response-to-BBC-Charter_CMS-committee.pdf

⁴ <https://www.gov.uk/government/speeches/culture-secretary-keynote-to-rtc-cambridge-convention>

- 2.5 Separately the 'News Bank' concept, which would see video and audio content from the BBC syndicated across the UK, raises a number of interesting opportunities for the commercial radio sector. Radiocentre members would certainly be interested in finding out more about this proposed service, whether it would be of practical use for radio broadcasters and if it could create a means of sharing BBC content with commercial news providers without additional costs.
- 2.6 However, without further details of how this would work in practice, it is difficult to comment in more depth on the proposed service and what potential impact this may have on both commercial radio broadcasters and media plurality. These issues would need to be considered in depth as part of a full regulatory process and public consultation once more details are made available.

3. **Educate**

- 3.1 The BBC has outlined a range of proposals that will develop and enhance its role in providing access to knowledge, culture and education. Most of these would appear to be interesting partnerships with a strong public service element. However, we would offer some specific observations on the further development of an online platform for children that it refers to as 'iPlay'. While this proposal is not a concern for most of our members we would take this opportunity to highlight the need to consider the risk of any potential negative impact of the iPlay service on a radio stations like Fun Kids (the only broadcast radio station for children in the UK).
- 3.2 There is a particular concern about these changes following the launch earlier this year of an online radio station under the Cbeebies brand (mainly offering on-demand content and podcasts) that is available within its iPlayer Radio app and Cbeebies website. We understand that this was done following a proposal from BBC management and an internal assessment of competitive impact by the BBC Trust, which was not open for public consultation or evidence from stakeholders. It was also done without reference to Fun Kids, despite the fact that it has a significant interest in serving the same children and family market with online audio content as well as its linear output.
- 3.3 Against this background there is an understandable concern that the BBC's iPlay initiative could be used to develop this concept further and make new digital and audio content available using the Cbeebies platform, without due consideration of the potential impact on the only commercial competitor operating in this space.
- 3.4 In addition, while the BBC has also said that it is open to like-minded partners joining the iPlay platform, it has made no attempt to identify who this would likely include. It has also stated that the platform will have no advertising, so if a partner like Fun Kids were to join such a partnership, it would be unable to fund its content commercially. Instead it would seem to imply third parties donating their content in order to help the BBC establish a dominant platform for children.
- 3.5 This example of the expansion of children's audio content with little regulatory oversight supports Radiocentre's broader argument for a more open, transparent and effective process of considering the competitive impact of BBC proposals where these do not trigger a Public Value Test (which have outlined in our response to the Green Paper on Charter Review). It also highlights the need to monitor the expansion and growth of new BBC products and services, especially in the absence of a regular review of market impact or against a remit laid out in a service licence.

4. Entertain

- 4.1 Innovations in technology are crucial in ensuring that radio maintains its high reach and share of audience in future. However, any changes to the way that the BBC makes its vast range of audio content available will pose numerous questions for the commercial sector, particularly regarding the potential competitive impact on its stations and on new services.
- 4.2 The BBC has outlined two proposals for new ways of listening to radio that would allow listeners to gain greater control over content, which could mark a significant shift in the range of online audio available from the BBC for those using mobile devices. Indeed, the BBC *British, Bold, Creative* paper hailed this as a 'radio revolution' and it certainly has the potential to change the way in which listeners interact with live radio.
- 4.3 The new interactive radio service would appear to be a welcome innovation which utilises technology for the benefit of radio listeners and provides access to a full range of linear and on-demand services. This would provide listeners with greater flexibility to select various types of BBC radio content and seems like a sensible innovation. Nevertheless, we will reserve further comment for when more details are published and an informed assessment can be made.
- 4.4 Separately, Radiocentre has already raised significant concerns with the Trust about the proposed new Digital Music Service, which would see the 50,000 tracks that the BBC broadcasts on its radio stations every month made available to listen online. However, we would like to take this opportunity to reiterate some of our concerns.
- 4.5 This proposal comes at a time when the BBC is seeking to demonstrate that it is open and committed to partnership, rather than acting in a manner that could be described as 'expansionist' or 'imperial'. Certainly, Lord Hall was very clear in his speech at the on 7th September 2015 that he was seeking to shape a BBC that was the polar opposite of this. However, it is difficult to reconcile this approach with the launch of a new and significant intervention into the highly competitive and emerging market of music streaming, which is already finding it challenging to develop a viable commercial model.
- 4.6 Moreover, Radiocentre is unclear how such a proposal could possibly be considered to comply with the requirements in the current Charter and Agreement for the BBC to take into account the competitive and fair trading impact of new services. As it has been outlined it seems that this new service would be substantially the same as commercial services already available (such as Spotify and Apple Music). While the BBC's service would provide access to fewer tracks than other streaming services it would clearly make available a very broad range of current hits and specialist tracks with the potential to have very significant market impact.
- 4.7 Therefore this service would appear to be directly contrary to BBC Executive's own Fair Trading Guidelines, the BBC Trust's Fair Trading Policy and the Competitive Impact Principle outlined in these documents. If the BBC does seek to bring forward detailed proposals for such a service we would expect a full Public Value Test to be undertaken, with the strong expectation that the service be rejected.
- 4.8 Such a service risks stifling innovation and competition in the radio and audio market, as new entrants will be unable to compete with a BBC service funded by the licence fee. This would be a perverse outcome from the Charter Review process, as it would mean that the BBC's dominance in the radio and audio market would actually be increased. There are also likely to be significant cost implications and complexities relating to music licencing, as well as any potential costs to consumers. The details of all such matter would need to be considered through a Public Value Test.

5. **Next Steps**

- 5.1 While Radiocentre welcomes improvements and innovation to BBC radio services, the concerns that we have raised in this response are that a number of the proposals outlined could have a competitive or market impact, and may not always meet the high standards of distinctiveness required.
- 5.2 Therefore we would welcome reassurance that a full Public Value Test and Market Impact Assessment will be implemented in order to evaluate the impact of these proposed services where appropriate. This assessment would of course need to be accompanied by a full public consultation, which would afford interested parties the opportunity to highlight their concerns.
- 5.3 Prior to this it would be helpful for Radiocentre and our members to gain a greater understanding of the status of the proposals that are currently being considered by the BBC. A number of these points of clarification are highlighted above (e.g. the resourcing arrangements for the Local Accountability Reporting Service). In addition we would be interested to learn to what degree the BBC Trust has engaged with BBC management in providing guidance on the proposed new services, as well as details of timings for the potential launch of these services.

6. **About Radiocentre**

Radiocentre is the industry body for commercial radio. We work on behalf of over 40 stakeholders who operate 275 licensed radio stations across the UK and represent 90% of commercial radio in terms of listening and revenue. We perform three main functions on behalf of our members:

- Drive industry revenue by promoting the benefits of radio to advertisers and agencies through a combination of marketing activity (e.g. events, advertising, PR, and direct mail), research, and training
- Provide UK commercial radio with a collective voice on issues that affect the way that radio stations operate, working with government, politicians, policy makers and regulators to secure the best environment for growth and development of the medium
- Ensure advertising messages on commercial radio stations comply with the necessary content rules and standards laid out in the BCAP Code of Broadcast Advertising and the Ofcom Broadcasting Code.

www.radiocentre.org

November 2015