

## Radiocentre response to DCMS Select Committee

### inquiry on sustainability of local journalism

#### SUMMARY

1. Commercial radio is a vitally important provider of local news and journalism in the UK. Its content is heard by 37 million people (around 66% of the population) for an average of 13 hours each week<sup>1</sup>. Listeners to commercial radio stations represent a broad cross section of the population, with the sector attracting a significantly more ethnically and socially diverse audience than the BBC.
2. Much of the news and information output on commercial radio takes the form of regularly updated bulletins at regular points throughout the day. These bulletins are valued highly by listeners, many of whom rely on the trusted information provided by radio and do not necessarily engage with the in-depth coverage provided by newspapers and television news. Over 12 million of listeners rely on commercial radio as their principle source of information. As a result, audiences will often turn to radio for reliable local information during major incidents– for example during emergencies – and consider radio the most trusted medium for reliable news.
3. Digital technologies have created significant opportunities for the radio sector. The choice of content now available for audiences has been significantly enhanced as a result of new broadcast and online audio services. Consequently, innovation and collaboration is increasingly important given the range of competitive pressures facing radio and audio.
4. However, the growth in competition online has also led to fragmentation of audiences and advertising revenue, presenting radio broadcasters with a significant challenge as they seek to grow while providing a high quality and trusted service.
5. The Government rightly recognised many of these challenges within the *Digital Radio & Audio Review*<sup>2</sup> last year. Chief amongst these is the future of online distribution for radio services as audiences migrate to digital platforms, like smart speakers. There is broad cross industry and political party consensus that UK broadcasters need protection from the risks posed by tech platform gatekeepers, therefore it is vital that proposals to address these threats are given adequate legislative support as a matter of urgency.
6. So we recommend:
  - When the Government conducts the mid-term Charter Review the dominance of the BBC in the UK audio market should be recognised more explicitly and the regulation of BBC radio be treated differently to television. Quantitative targets should also continue to be used to support public service content such as local news and speech.
  - That legislative protections for online radio distribution, ideally within a Broadcasting White Paper and future Media Bill, are laid out by Government at the earliest opportunity.

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<sup>1</sup> RAJAR Q4 2021

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1027206/Digital\\_Radio\\_and\\_Audio\\_Review\\_FINAL\\_REPORT\\_single\\_view.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1027206/Digital_Radio_and_Audio_Review_FINAL_REPORT_single_view.pdf)

- The Government sets out the relevant statutory framework for the Digital Markets Unit as a matter of urgency in order to regulate the activities of online platforms and provide a level playing field, fair competition, as well as ensuring that platforms do not undermine commercial revenues by use of their dominance.

## **BACKGROUND: NEWS AND LOCAL JOURNALISM ON COMMERCIAL RADIO**

7. Commercial radio plays a very significant role in providing news and information, and the importance of this was particularly underscored throughout the pandemic over the past two years. With 37 million listeners tuning in every week the number of people getting news and information from commercial radio is at an all-time high and for a significant number of listeners, it is their only source of news.
8. News and information represents an important and highly valued part of commercial radio's broadcast output. In most cases this takes the form of short bulletins, providing updates on local and national issues at regular points and times throughout the day. The value of these updates should not be underestimated, as it is often providing essential information to huge audiences, many of whom do not listen to speech radio, read newspapers or regularly watch TV news.
9. In order to understand more about the value of commercial radio news for audiences, Radiocentre has commissioned a number of studies in recent years. *Beyond the Bubble*<sup>3</sup>, published in 2020, explores how commercial radio uniquely connects with audiences that other media struggle to reach.
10. The research identifies groups of consumers, examining their views of news, particularly on the radio. The report shows commercial radio's broad reach and strong impact connecting well with the three core groups: Super-seekers, Enthusiasts, and Outsiders. Radio is uniquely strong in its ability to reach Outsiders who are less likely than the other groups to seek out news. This influential group is a significant proportion (34%) of commercial radio's audience, which equates to more than 12 million listeners.
11. Those within the group are less likely to be from London or the South East of England, more likely to be female and are less aligned with traditional political labels of left and right. They are however highly engaged citizens – 77% said that they voted in the last general election, significantly more than the average (67%), emphasising their importance for politicians and policy makers.
12. Outsiders particularly value the news from commercial radio and it is the source they turn to first thing the morning, for regular updates and during emergencies. They are also twice as likely to rely on commercial radio over the BBC for regular news updates. Outsiders are also least likely to avoid commercial radio bulletins.
13. In addition, the report found that commercial radio has provided an essential role during the pandemic. As news fatigue inevitably set in, commercial radio was the source least likely to be avoided by all audiences, ensuring that vital government messages still cut through.
14. Eight out of 10 listeners surveyed said radio was a reliable source for regular updates at this time, while three quarters (74%) of all listeners relied on radio to provide vital national news. This reflects the high level of trust in radio among all listeners, with respondents ranking radio as the most trusted source of news (77%), with social media the least trusted.

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<sup>3</sup> <https://www.radiocentre.org/wp-content/uploads/2020/10/Commercial-radio-Beyond-the-Bubble.pdf>

15. An earlier report on news consumption on commercial radio, *Breaking News*<sup>4</sup>, asked listeners to consider the scale, role and trust in radio news. On the scale of radio news, listeners particularly value updates and regular bulletins provided by commercial stations.
  - 79% agree commercial radio provides helpful, concise news updates throughout the day
  - 77% agree commercial radio helps them stay informed of what's happening in the world around them
  - 57% use commercial radio as a prompt to go and find out more about particular stories.
16. On the role of radio news, commercial radio is a key source of regular news updates, especially in certain contexts and at particular points throughout the day. Listeners said they value regular news updates:
  - during local emergencies (when 60% turn to radio)
  - in the morning (when 83% turn to radio)
  - when in car (when 85% turn to radio).
17. The news and information on commercial radio is provided by teams of journalists based in local broadcast areas and at broadcast centres and studios across the country. These journalists are responsible for newsgathering and production of content on-air and online. They will generate stories from a wide range of sources, including local contacts, news agencies and suppliers such as Sky News/IRN. In all cases, it is the stations themselves that retain editorial control and produce the vast majority of bulletins throughout the day.
18. Those stations that are networked but with local news gathering operations take locally produced content, from stories that are close to them, and deliver them to a national audience in a way that has changed the shape of radio news journalism. LBC News for example, launched in 2019 and provides rolling 24 hour news, also provides the Global news teams around the country with opportunities to provide extended local news stories to a national audience.
19. Research<sup>5</sup> by Radiocentre has found that on average commercial radio stations broadcast 23 news and sport bulletins each day, mainly during daytime and peak times when audiences are more likely to rely on regular up-to-the-minute headlines. For the vast majority of stations each of these bulletins are required to provide a combination of national and regional or local stories. Stations also broadcast an average of 28 weather bulletins and 20 travel bulletins every day.
20. The public value of commercial radio is perhaps best encapsulated during times of emergency. At these crucial times, commercial stations are extremely well placed to provide listeners with up-to-the-minute coverage of both local and national emergencies. Major incidents trigger well-rehearsed plans that enable stations to alter programming and get journalists on the ground to provide audiences with trusted, accurate information. Covering breaking news always requires a tailored response. At the start of the pandemic, for example, stations immediately adapted in order to provide both additional and longer news bulletins in order to ensure that listeners were kept informed of the important news updates as the country was locked down.

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<sup>4</sup> <https://www.radiocentre.org/policy/breaking-news/>

<sup>5</sup> <https://www.radiocentre.org/wp-content/uploads/2018/12/Valuing-Radio.pdf>

21. In addition to this important role, commercial radio offers a number of distinct and successful news and speech stations – including LBC, LBC News, Times Radio and talkRADIO – supported by significant investment in news and journalism. These stations offer a powerful combination of analysis, comment and opinion that is proving popular with listeners and presents an alternative to the BBC, which has traditionally dominated speech radio.
22. Most recently, the war in Ukraine has demonstrated how commercial radio news teams are able to provide listeners with local angles on stories of national importance. These local updates supplement national stories and deliver to listeners across the country a unique local perspective, which in part explains the enduring popularity of commercial radio. Stations also offered free advertising spots to the Disasters Emergency Committee’s national fundraising campaign.

### **HOW ARE PUBLIC SERVICE BROADCASTERS, PARTICULARLY THE BBC, SUPPORTING OR DISRUPTING LOCAL JOURNALISM?**

23. The BBC remains the dominant force in radio and audio in the UK. It continues to have a market share of around 50% (more than double that of its nearest competitor), a significant funding advantage, preferential access to broadcast spectrum and huge marketing and cross-promotion power across TV, radio and online. The BBC currently receives around £3.5bn pa of licence fee funding to support its operations. According to Ofcom, the BBC spends over £740m of this funding on UK radio services, more than the total revenues of the entire commercial radio sector. The 2022 licence fee settlement froze the licence fee at its current level until 2024, before rising in line with inflation for the following four years.
24. The BBC has also benefited from a significant and long-term advantage due to its access to the most valuable broadcast spectrum. It owns four out of five national FM stations, including the only two national FM pop music services Radio 1 and Radio 2. It has sought to duplicate this structural and legacy advantage on broadcast platforms to its distribution online through BBC Sounds, so that it becomes the leading UK platform for radio, podcast and music content.
25. In addition to this significant market dominance, the BBC enjoys huge marketing and cross-promotion power across TV, radio and online. The scale and nature of this cross-promotion is unjustified and inappropriate given that much of its focus is on content or services with little or no public value. While there have been some small steps towards improving transparency on cross-promotion there are no clear limits in place, despite the scale of the BBC’s cross-media proposition and its role in cementing its dominance. In addition, the promotion of significant services such as BBC Sounds has not been assessed despite an estimated monetary value of BBC Sounds cross-promotion of £364 million (66 per cent of UK radio advertising revenue).
26. Given its dominant audio market position and unique funding, any potential relaxation of public service obligations on the BBC could potentially enable it to further crowd out commercial radio output, which would have a direct impact on the ability of commercial broadcasters to deliver high quality local journalistic content.

27. Throughout the pandemic both commercial radio and BBC Local Radio provided significant public value to audiences. Radiocentre research published in 2020, *A Force for Good*<sup>6</sup>, explored some of the immediate ways in the commercial radio sector adapted to the pandemic and how listeners relied upon radio for entertainment, information and companionship, as well as tuning in for longer. BBC Local Radio also delivers an important role to local communities through its delivery of speech content, local news and campaigns. Like other media, the importance of this output was enhanced during the pandemic.
28. However, there is a risk that changes to the regulation of BBC services being proposed by Ofcom could undermine the provision of public service content like local news and speech, especially if existing quantitative targets and floor quotas are removed. The precise approach to quotas being proposed by Ofcom is not entirely clear. However, when outlining the case for some of the changes in a speech given to the Westminster Media Forum in February 2021, Ofcom Director Kevin Bakhurst gave the strong impression that Ofcom would not be setting quotas in future. Instead it would be for the BBC to set targets with Ofcom only assuming a broad level of oversight<sup>7</sup>.
29. This is a significant issue and must be addressed during the BBC mid-term Charter Review. Our analysis of the performance of BBC radio against quotas shows that although services typically meet the requirements, in a significant number of cases this provision has either fallen closer to its quota or it consistently only just delivers against the quota. For example, the BBC's provision of speech content on BBC Local Radio declined from 73 per cent in 2014/15 to 64 per cent in 2020/21, a steep decline arguably halted only by a 60 per cent local speech quota.
30. This is a clear indication that quantitative targets are an important and effective means of regulating the BBC, and that in the absence of such quantitative targets, the BBC's behaviour would change. A move away from quantitative (quota-based) regulation towards a more qualitative approach is therefore likely to result in a shift away from the public value content that quotas are designed to support, including news, documentaries, distinctive music, arts and religious programming.
31. While the BBC should be able to evolve in order to reflect significant changes in UK media and consumption, it is vital therefore that when the Government conducts the mid-term Charter Review the dominance of the BBC in the UK audio market should be recognised more explicitly and the regulation of BBC radio be treated differently to television. As part of this, quantitative targets should continue to be used to support public service content such as local news and speech.

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<sup>6</sup> <https://www.radiocentre.org/wp-content/uploads/2020/07/Commercial-radio-A-force-for-good-July-2020-1.pdf>

<sup>7</sup> <https://www.broadcastnow.co.uk/bbc/bbc-to-get-to-set-own-quotas/5157327.article>

## WHAT HAS BEEN THE IMPACT OF THE 2019 CAIRNCROSS REVIEW ON LOCAL JOURNALISM, AND WHAT MORE NEEDS TO BE DONE?

32. The scope of the Cairncross Review principally focused on written journalism and the Government is continuing to evaluate many of the recommendations. Part of this approach includes considering a range of measures to regulate the activities of online platforms, to respond to competition concerns raised due to their economic characteristics and market dominance. This includes consideration of ex ante powers and obligations on platforms as part of its pro-competition regime for digital markets.
33. The high quality news gathering resource for radio relies on the continuing success of advertising revenue and that means ensuring that there is a level playing field, fair competition and that platforms do not undermine revenues by use of their dominance.
34. A new Digital Markets Unit (DMU) within the Competition and Markets Authority (CMA) will be responsible for addressing both the sources of market power and potential harms from the exercise of market power through this approach. This is based on the judgment that early intervention prevents lasting damage to competition, especially in rapidly-evolving digital markets. Among other powers, the DMU will be able to designate digital firms with entrenched market power and create codes of conduct for them.
35. This enhanced regime is welcome. However, it is paramount that the Government sets out the relevant statutory framework for the DMU at the earliest opportunity. The State Opening of Parliament has been announced for Tuesday 10<sup>th</sup> May 2022 but should details of new legislation for the DMU not be included within the next Queen's Speech there is a risk that the important work of the new unit will be delayed.
36. A number of concerns around delays to the implementation of the legislative framework have been raised by parliamentarians and by the news media industry. At the start of the year, the Chair of the House of Lords Communications and Digital Committee, Baroness Stowell, wrote to both DCMS<sup>8</sup> and the CMA<sup>9</sup> to highlight the risk of not acting swiftly.
37. MPs and Peers have also asked questions in Parliament. On 16<sup>th</sup> March this year, in response to a question from Lord Dubs on creating a level playing field for fair payment between UK news publishers with technology companies, DCMS Minister Lord Parkinson specifically cited<sup>10</sup> the threats to news publishers identified within the Cairncross Review and how that the new regime's conduct requirements, in line with codes proposed in the Review, will improve competition and transparency, making an important contribution to the sustainability of the press.
38. This message was re-enforced in a joint letter to the Prime Minister on 31<sup>st</sup> March 2022 on behalf of an unprecedented coalition from across the media sector, including commercial news and magazine brands, television and radio broadcasters, online publishers, book and journal publishers. This group came together for the first time to call on the government to take urgent action to tackle the harmful impact of the tech platforms on British media and publishing, specifically setting out the need for legislation to provide statutory powers for the DMU early in the next parliamentary session<sup>11</sup>.

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<sup>8</sup> <https://committees.parliament.uk/publications/8971/documents/152542/default/>

<sup>9</sup> <https://committees.parliament.uk/publications/8972/documents/152546/default/>

<sup>10</sup> <https://questions-statements.parliament.uk/written-questions/detail/2022-03-04/HL6645>

<sup>11</sup> <https://www.radiocentre.org/media-coalition-calls-for-action-to-tackle-tech-giants/>

## HOW CAN THE GOVERNMENT SUPPORT LOCAL NEWS OUTLETS TO DEVELOP SUSTAINABLE BUSINESS MODELS?

39. Commercial radio is funded almost entirely by advertising and operates in a highly competitive market, generating £719 million in ad revenues in 2021. It also supports £683m in gross value added to the UK economy and over 12,000 jobs. Its advertiser-funded model enables it to provide content for audiences that is high-quality and free at the point of use.
40. Radio advertising spend provides a substantial boost to the UK economy and businesses. Part of this boost is through the return on investment (ROI) that advertisers enjoy as a direct result of investing in the medium. Previous research<sup>12</sup> has found that radio provides an average return on investment for advertisers of £7.70 for every £1 they spend. Applying this to advertising revenues for the entire industry means that the total ROI over £5.2bn. Of this total the estimated annual value for local advertisers alone was over £1.6bn, underscoring the benefits of local radio advertising around the country<sup>13</sup>. These results are particularly important for SMEs looking to invest in advertising
41. The joint DCMS and industry *Digital Radio & Audio Review*<sup>14</sup> (published in October 2021) was commissioned by the Government in February 2020 with the objective of assessing likely future trends in listening and to make recommendations on ways of strengthening UK radio and audio. One of the central themes identified was the risk to broadcasters of unregulated distribution, via online and smart speaker platforms, which account for an increasing share of listening.
42. This issue is a cross-industry concern shared by all UK radio broadcasters. Given the broad consensus, both commercial radio and the BBC have recently directly highlighted to Government the importance of securing legislative protections for online distribution, ideally within a Broadcasting White Paper and future Media Bill, which we understand is under review by DCMS.
43. Innovation and collaboration is also increasingly important given the range of competitive pressures facing radio and audio. In practice this has meant working together on technology platforms such as Radioplayer and exploring new partnerships to support news and public service content more generally. These approaches offer a means of securing continued free distribution for the range of quality of radio journalism in future and are set to be expanded in 2022.
44. Inevitably, the global reach of online platforms means that these issues are faced by news organisations around the world. As the Committee will know, detailed work on interventions is underway in the European Union (through the recently agreed Digital Markets Act), America and Australia. Unfortunately, a widely shared frustration is with the lack of engagement directly from tech platforms, which is in despite of looming regulatory intervention.

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<sup>12</sup> <https://www.radiocentre.org/roi-multiplier/>

<sup>13</sup> <https://www.radiocentre.org/wp-content/uploads/2018/12/Valuing-Radio.pdf>

<sup>14</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1027206/Digital\\_Radio\\_and\\_Audio\\_Review\\_FINAL\\_REPORT\\_single\\_view.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1027206/Digital_Radio_and_Audio_Review_FINAL_REPORT_single_view.pdf)



## WHAT ROLE DOES SOCIAL MEDIA PLAY IN LOCAL JOURNALISM?

45. While commercial radio reaches 37m listeners each week through its broadcast channels, social media platforms are an important supplementary channel for stations to expand their reach to audiences online. In addition to expanding reach, social media offers broadcasters the opportunity to drive traffic to both their stations and websites, which provide additional revenue streams.
46. The format of social media allows commercial radio journalists to utilise the platforms in order to cover stories that featured in radio bulletins in more depth. As well as providing greater detail to a specific story, social media platforms also help to facilitate enhancing local campaigns to a wider and more national audience. Many of these campaigns are amplified for an extended period of time by the local news teams. A recent example, for instance, is from the Bauer South West news team working with campaigners on paddle board safety<sup>15</sup> which culminated in a meeting with MPs in parliament on 7<sup>th</sup> March.
47. While radio is predominantly an audio medium, video plays an increasingly important role. For example, LBC utilises clips from its radio shows with high profile guests online to amplify the reach and impact of these segments. While many of these stories may be of national interest, social media provides a way of tailoring local angles for regional stations across the UK. This content also reflects the reach and different perspectives provided by a network of local journalists working across multiple radio brands and embedded in local communities.
48. Radio is consistently found to be a highly trusted source of news by listeners. As a regulated media, it is perhaps not unsurprising that unregulated sources of news have significantly lower levels of trust. Radio accounts on social media platforms therefore provide a beacon of trust in a sea of unregulated sources.

## HOW ARE PARTISAN AND HYPER-PARTISAN NEWS OUTLETS DISRUPTING LOCAL NEWS PRODUCTION

49. Commercial radio broadcasters are regulated by the Ofcom Broadcasting Code, underpinned by a statutory requirement to ensure due impartiality, and provide an important role within the UK broadcasting and political landscape.
50. That said, speech radio on commercial radio is different to that on BBC services. While overall commercial stations are impartial, they are able to broadcast a range of opinions and are not constrained by some strict rules that apply to BBC stations. LBC is the leading commercial radio speech station and the relative freedom that it provides its presenters and guests has proved attractive to former BBC presenters in recent years.

## ABOUT RADIOCENTRE

Radiocentre is the industry body for commercial radio. We work on behalf of more than 50 stakeholders who represent over 90% of commercial radio in both listening and revenue.

[www.radiocentre.org](http://www.radiocentre.org)

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<sup>15</sup> <https://planetradio.co.uk/pirate-fm/local/news/paddleboarder-legacy-supported-in-parliament/>