

GWR Group plc

**Response to Ofcom on
"Radio – Preparing for the Future"**

7 March 2005

EXECUTIVE SUMMARY

1. GWR Group plc (**GWR**) welcomes many of the proposals in Ofcom's consultation paper entitled 'Radio - Preparing for the Future' dated 15 December 2004 (the **Consultation Paper**).
2. In particular, GWR welcomes Ofcom's proposals for a new framework for commercial radio with a regulatory focus on **output** (how listeners value the radio they hear) as opposed to input (the means by which programmes are made), its aim to be a "**light touch**" regulator and its proposal to raise the limits on **non-programme related data** on DAB and DTV. All these measures will help stimulate the radio industry and strengthen its existing service providers, in particular in the growing digital radio industry, and benefit UK consumers.
3. GWR also warmly welcomes Ofcom's stated desire "*to facilitate the growth of digital radio*" and its recognition of the "*significant benefits*" DAB digital radio offers to UK consumers, as compared to analogue. GWR urges Ofcom publicly to support the long-term goal to migrate all analogue radio services to DAB digital. GWR believes this is the most effective way to build confidence in the industry, and with manufacturers and consumers.
4. GWR supports the **market approach** which Ofcom has adopted in its Consultation Paper, recognising the economic welfare value that radio has to the general public. However, GWR urges Ofcom to consider in more depth the delicate ecology of the radio industry as a whole and the position of individual investors. Ofcom recognises that digital-only stations are loss making and will remain so for many years. The digital radio market is an evolving one. If the supply of digital capacity and new stations is increased too rapidly this is likely to lead to a situation where supply outstrips available advertising demand. Such a move would merely serve to cannibalise advertising revenues from existing analogue and digital stations. It follows that such a step would risk destabilising this developing market. It would also risk adversely affecting consumers whose favourite stations may collapse in such an uncertain advertising market. GWR therefore recommends that Ofcom adopts a prudent, measured and flexible approach to any future licensing of local DAB spectrum. GWR also recommends that any such further spectrum is introduced into the local multiplex market gradually, with the effects of licensing one block being carefully monitored before moving on to licence further blocks.
5. GWR welcomes the allocation of **further capacity for local multiplexes**. However, GWR understands and believes that Ofcom's proposal to allocate only three blocks of spectrum to local multiplexes will be insufficient to accommodate the complete transfer of analogue local radio to digital. Ofcom's current proposals would result in some local stations becoming 'stranded' indefinitely on analogue, especially smaller commercial stations, those most recently licensed and community radio. This would be unpopular with consumers who, although owning a DAB device, cannot listen to their favourite stations or programmes on digital. Therefore, GWR urges that at least four blocks of spectrum be allocated for local multiplexes. This approach would boost additional choice, as well digitise the "white areas" of the country currently without DAB coverage.

6. GWR believes that even if it were permissible (which it is not for the reasons set out below), the issue of **additional national multiplex licences** would not increase choice. There are already 17 national and quasi-national¹ commercial terrestrial radio services in the UK competing with over 300 local radio services for £361m² of national radio revenue. None of these national and quasi-national radio services are operating profitably on DAB, and the introduction of further national radio services will only prolong this period of unprofitability and may even, as indicated above, destabilise the industry.
7. In any event, GWR believes that Ofcom's proposal to issue further national multiplex licences would be **unlawful, unfair, unjustified and disproportionate**³.
8. GWR believes that the issue of further national multiplexes would be **unfair** given the actions of its predecessor, the Radio Authority, when awarding the national commercial multiplex licence to Digital One in 1998. In short, the Radio Authority promised GWR, as the majority shareholder, that Digital One's licence would be "*the one and only*" national commercial multiplex. Digital One relied on this promise when applying for the licence and GWR relied upon it when making its investment. There is evidence that GWR would not have made its investment in Digital One had it thought that the regulator would change its position and issue further national multiplex licences during the term of Digital One's licence.
9. GWR makes certain further and **complementary representations** regarding this proposal to issue further national multiplexes.
 - 9.1 Ofcom's proposal does not **recognise and respect GWR's position** including its significant and continuing investment in Digital One and digital radio generally. This investment, combined with GWR's leadership in this field, has been crucial to the development of DAB:
 - 9.2 Digital One is still only **six years into its business plan** and, following the shareholders' significant investment in this pioneering start up company, the investors have yet to see a return on their investment;
 - 9.3 Ofcom has **failed to demonstrate any proper case** that there is a "demand" for such further national multiplexes either from reliable research based on information received from across the industry or from large sections of the public;
 - 9.4 Technology and data services are likely to become the **significant driver** of DAB uptake in the future, rather than increased choice of audio services;
 - 9.5 Issuing further national multiplex licences now may ultimately have the effect of **limiting choice for the consumer**. Struggling smaller companies may collapse as advertising revenue is spread more thinly, whilst larger companies may reduce the scale of their digital operations in a tougher market;

¹ Those services with footprints of over 25 million consumers.

² RAB.

³ GWR attaches, by way of confidential annex, further representations on this issue.

- 9.6 Further national multiplexes are likely to achieve **less geographical coverage** across the UK than Digital One's multiplex (or the BBC's). In other words, this proposal would not "fill in the gaps" in the digital coverage across the UK;
- 9.7 Such a proposal may cause the existing national multiplex operator, Digital One, to **scale back** on its planned investment to increase coverage by launching additional transmitters and its marketing plans; and
- 9.8 The available evidence suggests that such action would in fact **damage the digital industry as a whole** (including service providers and local multiplex operators), damage market and investor confidence and reduce consumer choice.
10. GWR does not believe that Ofcom should advertise the proposed Medium Wave frequencies. Such a move would be **inconsistent with radio's digital future**.
11. GWR would encourage Ofcom to include in Stage 2 of its Consultation Paper a review of the **licence renewal process for the three INR stations** (and the terms of such renewal). These proposals are not addressed in the current paper.
12. GWR supports the **concept of "public purposes"** for commercial radio. Classic FM and GWR's local stations provide many benefits to their communities. GWR looks forward to working with Ofcom to develop a concept of "*commercial public purposes*".
13. GWR would welcome an opportunity to discuss these and other issues mentioned in this Response and its confidential annex with Ofcom and its advisers.

GWR'S SUBMISSIONS

Ofcom's proposals to facilitate the growth of digital radio

1. GWR welcomes many of the proposals in the Consultation Paper. GWR welcomes Ofcom's stated desire "*to facilitate the growth of digital radio*" and its recognition of the "*significant benefits*"⁴ DAB digital radio offers to UK consumers, as compared to analogue. GWR also welcomes Ofcom's aim to tackle the potential obstacles to the growth of digital radio including addressing such issues as digital coverage, choice, costs and the availability of DAB radio receivers, and the financial prospects for digital radio services themselves.
2. GWR welcomes Ofcom's proposals for a new framework for commercial radio with a regulatory focus on output (how listeners value the radio they hear) as opposed to input (the means by which programmes are made), its aim to be a "*light touch*" regulator and its proposal to raise the limits on non-programme related data on DAB and DTV. All these measures will stimulate the radio industry, in particular the growing digital radio industry, and benefit UK consumers.
3. As Ofcom is aware, GWR has a great deal of experience in the DAB market. GWR also has a proven track record of making significant investments in this technology and associated programming. GWR is committed to developing the future of DAB digital radio, which it sees as offering UK consumers not only the greatest radio experience but also providing these consumers with desirable non-radio opportunities. Of course, in order to establish and promote this digital platform GWR, including through Digital One, has been required (with others, in particular NTL) to fund the building of new transmission networks, to embark on an extensive marketing exercise to promote digital services, to develop new, low cost receivers to encourage the up-take of digital by consumers and (in its capacity as a service provider) to develop new services. All this investment has been made at a time when audiences are still relatively small. This has meant that GWR and others in the industry have had to invest considerable sums (approximately £18m to £20m per year in the commercial sector alone) to ensure that DAB is successful. GWR is pleased that Ofcom has now provided an opportunity through the Consultation Paper to recognise this commitment and take it into account in the development of its future policies.

GWR encourages Ofcom to make an unequivocal commitment to DAB digital radio

4. In Ofcom's Annual Plan for 2005/6 it states that "*charting the course towards digital switchover has been a key priority*". In its Consultation Paper, however, Ofcom states it must be "*platform and technology neutral and so does not seek to promote one technology or platform over another*"⁵. GWR submits that it is not practicable⁶ to be wholly "*technology neutral*" towards DAB digital radio at this juncture for two principal reasons:

⁴ Page 15 of the Consultation Paper.

⁵ Page 18 of the Consultation Paper.

⁶ Ofcom's obligation to act in this manner is set out in section 4(6) of the Communications Act 2003 (CA) which requires Ofcom to carry out their functions: "*in a manner which, so far as practicable, does not favour (a) one form of electronic communications network, electronic communications service or associated facility; or (b) one means of providing or making available such a network, service or facility, over another*" (emphasis added).

- 4.1 In the 1990s the Government (and the Radio Authority) encouraged both the BBC and the commercial sector to embrace DAB digital radio technology and, as a result, the BBC, GWR (both on its own and through Digital One) and others made significant investments in both the technology and the associated programming. For a regulator now to become "*technology neutral*" ignores this important historical context; and
- 4.2 GWR believes it is necessary for Ofcom to provide unequivocal commitment to DAB to ensure the future development of the DAB platform. The DAB platform remains in its infancy (with DAB devices making up less than 1 per cent. of all radios in the UK) and as yet no radio service is generating significant revenues. A failure by Ofcom to provide such a commitment will create uncertainty within the radio industry, amongst manufacturers, potential investors and consumers. This may damage the industry.
5. GWR therefore urges Ofcom publicly to support the long-term goal to migrate all analogue radio services to DAB digital, and to maintain a prudent, flexible and measured approach to the future licensing of local DAB spectrum, monitoring the effects of each introduction of a new block of spectrum before deciding how to proceed with the next phase.

Ofcom's proposal to issue further national multiplex licences (or take equivalent action) is unlawful, unfair, unjustified and disproportionate

6. GWR strongly opposes Ofcom's proposals to issue further national multiplex licences. Such action would be unlawful, unfair, unjustified and disproportionate⁷.
7. GWR believes that if Ofcom were to issue further national multiplexes, this would be unfair given the actions of its predecessor, the Radio Authority, when awarding the national commercial multiplex licence to Digital One (the GWR-led consortium) in 1998. The Radio Authority promised GWR that Digital One's licence would be "*the one and only*" national commercial multiplex⁸. Digital One relied on this promise when applying for the licence and GWR relied on it when making its investment. There is evidence that GWR would not have made its investment in Digital One had it thought that the regulator would change its position and issue further national multiplex licences during the term of Digital One's licence.
8. Further, if Ofcom were to issue further national multiplex licences it would be unfair given the significant investment and commitment GWR has made in Digital One and digital radio generally since the award of the national multiplex licence in 1998. It is no exaggeration to say that without GWR agreeing to embark on this risky venture and agreeing to take on the licence (in the face of almost uniform scepticism in the commercial radio industry), not only would the Radio Authority's (and the Government's) plans for the development of commercial digital radio have floundered, but also the BBC's own digital project may have failed.

⁷ We attach by way of confidential annex, further representations regarding this proposal.

⁸ On 24 November 1997 when the Radio Authority announced their intention to advertise the Licence they described the Licence as "the one and only national commercial multiplex". On 5 March 1998 the Radio Authority Chairman, Sir Peter Gibbins, stated, "*The licensing of digital radio is about to begin with the Radio Authority's advertisement for the first and only national multiplex just a matter of weeks away ...*". The Radio Authority press release announcing the advertisement of the Licence, entitled "*Radio Authority advertises first and only national commercial digital multiplex licence*", stated: "*The Radio Authority is inviting applications tomorrow (24 March) for the licence for the first and only national commercial digital radio multiplex*".

9. Whilst Ofcom states that "*We also note Digital One's position as the current national radio multiplex licensee and the investment it has made in digital radio. To the extent relevant we will take this into account together with all other relevant factors in reaching a decision on our proposals regarding the allocation of spectrum*"⁹, it is clear from the Consultation Paper that Ofcom's proposal does not recognise GWR's position, including its significant and continuing investment in Digital One and digital radio. This investment, combined with GWR's leadership in this field, has been crucial to the development of DAB, and has included:
- 9.1 a £27 million commitment (through Digital One) to promote the uptake of DAB digital radio;
 - 9.2 the production of a more affordable digital radio chipset, which led to digital radio sets retailing for less than £100 (through Digital One's joint venture with Imagination Technologies);
 - 9.3 the development by GWR of four digital-only services: Core, The Storm, Chill and Planet Rock (the latter in association with NTL), and most recently the announcement of a joint venture with Hit Entertainment plc to develop a children's radio service; and
 - 9.4 GWR's recently announced venture with BT relating to the provision of multimedia services on the Digital One multiplex.
10. Digital One is still only six years into its business plan and, following the shareholders' significant investment in this pioneering start-up company, the investors have yet to see a return on their investment.
11. For Ofcom to issue further national multiplex licences now would also be unjustified and disproportionate. Ofcom states: "*From our consultations with the industry we understand that a number of service providers – including, but not limited to, radio service providers – would welcome the opportunity to secure national digital coverage. It would therefore appear disproportionate to use all of the potentially available frequency blocks for local services*"¹⁰. This approach wrongly considers the issue solely from the point of view of the wishes of the would-be future licensees. It entirely overlooks the much stronger interests of the existing incumbent Digital One and its shareholders, including GWR.
12. Further, and in any event, Ofcom has failed to demonstrate any proper case that there is a "demand" for such further national multiplexes either from reliable research based on information received from across the industry or from large sections of the public¹¹. Ofcom's research appears to be focused on comments from a few commercial groups.

⁹ Page 141 of the Consultation Paper.

¹⁰ See Appendix E at E.1 of the Consultation Paper.

¹¹ See paragraph 3.2 of a report prepared by third party experts NERA submitted by Digital One entitled "Analysis of Ofcom's Impact Assessment of the Allocation of Available Spectrum within VHF Band III and L-Band". This report challenges Ofcom's claim that there is currently excess demand in the multiplex market.

13. Ofcom has provided no reasoning or evidence capable of indicating or sustaining an argument that there is an overriding public interest justification for its action. This omission is particularly significant given that Ofcom's proposed actions are at odds with the promises made by its predecessor, the Radio Authority. Ofcom has failed to produce persuasive evidence to support its claim that issuing further national multiplexes would "*facilitat[e] the growth of digital radio*" or "*increase choice and diversity for citizens and consumers*"¹². GWR is concerned that the research upon which Ofcom relies, namely a report prepared by Analysys, DotEcon and Mason (the **Analysys Report**)¹³, is incomplete and unreliable.¹⁴ The report itself acknowledges many of its limitations, for example, it refers to the "*limited timescale for the study*"¹⁵, that it has "*held 12 telephone discussions with a variety of organisations*"¹⁶ and that "*it is possible that an even higher social value could be generated from having additional local multiplexes configured ... but this would require detailed investigations of local preferences*"¹⁷. For all these reasons, it would appear to be an invalid source upon which Ofcom should base its future decisions as to the allocation of spectrum.
14. GWR believes that even if it were permissible (which it is not), issuing further national multiplexes would not increase DAB uptake in the future. Future uptake is most likely to be driven by technology opportunities, in particular the provision of data services¹⁸. In fact, GWR believes that issuing further national multiplex licences now may ultimately have the effect of limiting choice for the consumer. Struggling smaller companies may collapse as advertising revenue is spread more thinly whilst larger companies may reduce the scale of their digital operations in a tougher market. GWR's local multiplexes, for example, provide carriage for a number of 'quasi-national' brands under contracts which, subject to an agreed notice period, do not restrict services moving from one multiplex to another. If GWR's local multiplexes were to lose one of these services to a new national multiplex and were unable to re-contract the capacity (Ofcom notes that a number of multiplexes are not fully let), its revenue would be significantly reduced. Further, it is not clear that such brands would undertake such changes to increase their population coverage (they already cover all major conurbations); we believe the principal reason would be to reduce their operating costs by moving to a single national multiplex, to the detriment of local multiplex operators. Therefore, Ofcom's current proposals will not necessarily increase listener choice because the same number of services may well still operate in each area. Indeed, in some areas, because of differences in transmission strategy and coverage, if a service was to leave local multiplexes and

¹² Pages 15 and 16 of the Consultation Paper.

¹³ Some of these flaws are detailed in Digital One's response to this Consultation Paper and, for the sake of brevity, we do not repeat them here.

¹⁴ Analysys claims (at page 63) that "*Multiplex capacity for national or large regional radio stations is more commercially attractive than capacity for small local radio stations. Even when the incremental social value created by additional national channels is very low, there is still potential for any individual new station to grab a large audience and advertising revenues at the expense of existing rivals*". However, Analysys does not appear to have reviewed fully the revenue trends of the three INR services since their launch. Local advertising is an important source for the majority of radio stations across the UK. In addition, the majority of national advertising is not bought on a national basis: many advertisers wish to buy space on a regional basis or on multi-regional basis. Whilst national DAB provides the opportunity to broadcast to the largest population base available (depending on transmitter coverage), DAB technology would not assist those looking at regional-only coverage. A purely national selling opportunity would not necessarily be attractive to advertisers. GWR therefore disagrees with Analysys' conclusions.

¹⁵ Page 23 of the Analysys Report.

¹⁶ Page 24 of the Analysys Report.

¹⁷ Page 63 of the Analysys Report.

¹⁸ It is technological developments, such as the 'red button', EPG and 'Sky Plus', that currently drives DTV's continuing growth.

join a national multiplex, this may mean that this service would no longer be heard by listeners in areas of the UK where national coverage does not exist.

15. GWR disagrees with claims that national multiplexes will broaden choice to a greater extent than local multiplexes. GWR believes it is likely that further national multiplexes will achieve less geographical coverage across the UK than Digital One's multiplex, or the BBC's. This proposal would therefore not "fill in the gaps" in the digital coverage across the UK. If Ofcom allocated more spectrum to local and regional multiplexes, consumer choice would be enhanced and not reduced.
16. Further, Ofcom has not taken into consideration the potential damage its proposal may cause GWR and others. The evidential support for Ofcom's claim that the impact of further national multiplexes on existing businesses would be "*limited*" is flimsy. There is no proper impact assessment in the body of the Consultation Paper or its Appendices. Ofcom asserts in Appendix E that "*the overall benefits from increased competition are likely to be substantial while there are reasons to believe that the impact on existing businesses will be limited partly because we think there is currently excess demand for carriage capacity and partly because of the emerging market nature of digital radio*". Ofcom itself notes elsewhere that it is "*difficult to predict whether, and how, the choice of licence would result in a difference in impact on existing providers*"¹⁹. Ofcom also appears to have failed to take into account the evidence previously submitted by GWR regarding the potential damage that may be caused by such action, and GWR would encourage Ofcom to do so²⁰.
17. In conclusion, DAB digital radio remains an industry in its infancy. Ofcom itself recognises that "*take up of the DAB digital platform has been slower than the industry would have liked*"²¹. In these circumstances, it would be reckless for a regulator to introduce as yet undefined and immeasurable competition at this delicate stage in its development. GWR submits that the available evidence suggests that such action would damage the digital industry as a whole (including service providers and both national and local multiplex operators), damage market and investor confidence and reduce consumer choice.

Insufficient spectrum allocated for the transfer of local analogue radio service to digital

18. GWR believes, given that radio's future is digital, that the primary objective for Ofcom should be to ensure that all existing analogue listeners to both BBC and commercial services have the right to listen to these radio services in digital quality. To ensure this, all radio operators, not just the largest, need to have the ability to migrate to digital.
19. GWR does not believe that the proposed three blocks of spectrum are sufficient to accommodate the complete transfer of analogue local radio to digital. GWR is very concerned by Stephen Carter's recent comments that full migration to digital for radio is "*not on Ofcom's agenda*"²².

¹⁹ Appendix E at E.2.

²⁰ GWR's response to the January 2004 consultation on "Opportunities for Future Use of Spectrum within VHF Band III (174 to 230 MHz) and in the 1.5 GHz Band (1452 to 1492 MHz)".

²¹ Page 5 of the Consultation Paper.

²² Speaking at the Radio Stakeholder Briefing on 15 December 2004.

20. Ofcom's current proposals would result in some local stations being stranded indefinitely on analogue and would prevent the complete transfer to digital radio. GWR believes that in order to achieve a complete transfer of local radio stations to digital, at least four blocks of spectrum should be allocated to local radio. GWR suggests that Ofcom does not immediately seek to license all available blocks of spectrum to local multiplexes but rather, in order to maintain flexibility, to keep at least one of the blocks of spectrum in reserve. This will allow Ofcom an opportunity to assess the impact the availability of the other blocks of further spectrum is having on this developing market.
21. GWR recognises that there may be some concerns about establishing sufficient interest in operating local DAB multiplexes. GWR confirms that it intends to apply for any local DAB multiplex that is advertised in areas covering its local analogue 'footprint'.

Proposals for the regulation of the provision of local material and locally-made programmes

22. GWR supports the proposals for regulatory focus to be on output (how listeners value the radio they hear) as opposed to input (the means by which programmes are made).
23. GWR has been an advocate of great radio for over 20 years. GWR was one of the first groups to speak regularly to listeners and the broader sections of the public within our local coverage areas to hear what we do right and what we do wrong. These consultative groups live on in the form of Local Advisory Boards and Classic FM's Consumer Panel. On the basis of input from these bodies and our ongoing research, we fine-tune all aspects of our programming, including speech, local and national news and music. To our listeners, it is what comes out of the speaker that matters (in the same way that it is what is seen on the screen that is of importance to television viewers). Our broadcasting and commercial remit is to maximise the appeal of our programming to the largest potential audience.

Proposals to replace the current specific requirements about audio bit-rates with a system of co-regulation to define audio quality standards which meet audience expectation

24. GWR supports this proposal.

Outstanding issues regarding the licence renewal process

25. GWR is concerned that whilst the Consultation Paper is aimed at preparing for the future, it does not address ongoing licence renewals, in particular, the renewal process of the three INR stations, and the terms of such renewal.
26. The CA provides a licence renewal process for ITV licences, and in January 2004, Ofcom announced "*plans to introduce a unified and streamlined process in order to reduce the regulatory burden of [television] licensing regulation. The proposals recognise the important challenges facing the television industry in the years ahead, including the need to plan for digital switchover*"²³. Under this process Ofcom is required to set financial terms for broadcasters' payments for Channel 3 licences

²³ Ofcom press release "Ofcom announces new ITV licence review process" 26 January 2004.

based on what it believes each broadcaster would bid in order to win its licence in a competitive tender. Payments take the form of a percentage of the broadcaster's qualifying revenue (PQR) plus an annual fixed cash sum.

27. GWR believes that in a period of DAB digital radio growth the three INR services will face similar challenges to ITV in the period to TV digital switchover. GWR therefore would welcome an opportunity to work with Ofcom to ensure that a similar licence renewal process exists for INR services.

OFCOM'S CONSULTATION QUESTIONS AND GWR'S RESPONSES

Regulation of local analogue commercial radio and the provision of local material and locally-made programmes

1. **Do you agree with our proposals to use formats as the primary tool of regulation for analogue commercial local radio?**
28. GWR agrees with Ofcom's proposals. Formats have evolved over a number of years to become succinct records of the most important aspects of a radio station's output.
2. **How do you think the objective of ensuring the provision on commercial local radio of a high quality news service, including local and national news, is best achieved?**
29. Radio shares many characteristics with other forms of media. Like newspapers, magazines, the internet and television, radio is measured by its success with consumers. If consumers do not like the music policy and presentation style, with a broad range of choice available, they will find another service that suits their needs. Similarly, in relation to news provision, if a consumer wants to be informed with what is happening locally and/or nationally, if he finds that one service fails him, he will switch to another service or another media. To survive, radio stations therefore need to listen to their audiences and provide them with what they want. The provision of a high quality news service is therefore a commercial decision, and is similar to all programming decisions that radio stations make on a daily basis.
- **Should stations be allowed to use news hubs to allow them to operate in the most operationally effective way?**
30. GWR believes that licensees should be allowed to operate the type of news operation which best suits their market.
31. As technology has advanced news provision on local radio has developed significantly over the past 10 years. News hubs are simply the latest development. However, these changes have not affected the listeners' perception of news with Ofcom's own research showing that 87 per cent. are satisfied or very satisfied with the news service they receive²⁴.
32. Local news is one of the clearest manifestations of a station's commitment to its community, and GWR stations have improved their newsroom community links by developing the role of field reporter. The need for field reporters was identified by our news journalists, who felt that they were not given enough opportunity to get out and originate stories because of the pressures of hourly bulletin reading. By separating the tasks of field reporting and bulletin reading, our journalists are now much more visible in the community, doing interviews face to face rather than over the telephone and unearthing stories that need human contact to develop them.

²⁴ Page 71 of the Consultation Paper, Fig.39.

33. Field Reporters are the staff we rely on to go into the community to seek news. They have become the foundation of the news operation, prepared to react to local concerns, as this is the best way to get to the heart of the issues our listeners care about – and expect their local radio station to care about too. Effective field reporters are the backbone, and the major benefit, of GWR's new approach to delivering local news.
34. Keeping the field reporters out in the community by releasing them from the responsibility of hourly bulletin reading is key to their success. Allocating the mechanical task of reading the bulletins to one "news hub" site, with approval from the regulator, gives them the freedom to report stories properly.
35. News Readers have a good local knowledge of the area they serve and are perceived as local personalities. They have an excellent nose for news and an eye for detail, as well as the skill to work with Field Reporters and Programme Controllers to ensure each bulletin is ideal for each station.
- **Do you agree that we should include a statement in the localness guidelines to the effect that, in order to provide a comprehensive local news service, each station must provide direct and accountable editorial responsibility, based within the licensed area, for the provision of a news service equivalent at least to full time professional journalist cover for all of the hours during which its licensed format specifies that it will provide local news programmes?**
36. GWR believes that Ofcom should not include a statement in the localness guidelines that details any specific inputs which must be maintained. To include such a statement would seem to be contrary to Ofcom's general view to regulate using outputs.
37. GWR believes that licensees should be free to develop suitable systems that ensure journalistic output is of a high quality.
- **Is there a better way to achieve the objective that focuses more on output rather than input regulation?**
38. GWR believes that stations' commitment to, and methods of providing, local news could be tested during a measured time period to see if it is necessary. This may operate in a similar way to the way the two-year trial is being conducted in relation to radio's training provision and HR reporting.
39. Ofcom could allow stations to devise systems that they believe best serve the interests of the listeners and their businesses. Ofcom could then review listener perceptions (in a similar way that was carried out for this review) to attempt to measure if there is any change as a result of stations' self-regulation.
3. **Should stations be allowed to decide for themselves how much programming they automate?**
40. GWR believes that each station should be able to determine how much programming to automate.

41. Commercial stations face increasing competition for audiences with continuing growth in analogue services and the explosion in digital choice. Given this broadening choice, an increasing number of listeners are happy to move around the dial or switch to other media. In particular, listeners have started to self-schedule and exhibit much less loyalty than ever before. This means that radio stations have to be better at what they do. If listeners have no interest in what is being created for them, whether that is the choice of music, types of news, quality of presentation or volume of speech, they will tune elsewhere.
42. In every market in the UK, commercial radio operates against a high quality competitor in the form of the BBC, which has a substantial programming budget. The presence of the BBC in the market makes commercial radio work harder to keep audiences satisfied. For commercial radio, listeners are the ultimate arbiter of success and GWR works hard to keep them satisfied. If stations automate or network their programmes, they will have to make sure the programming is of a high quality and satisfies the demands of the audience.
43. High quality automation can also allow stations to increase their local relevance with their target audiences. At stations with split transmitters, presenters can pre-record different links for different parts of their broadcast areas, allowing more specific local information to be broadcast.
4. **Should the requirement for a station's studios to be based within the measured coverage area be relaxed to require the station to be based within the licensed area?**
44. GWR supports Ofcom's proposals.
5. **Do you agree that a station's local hours, as defined by its format, should include local material, but that, outside of these hours, stations should be free to share material with other stations on a network basis as they see fit?**
45. GWR agrees that for the majority of stations, local hours should include local material, but that outside of these hours, stations should be free to share material with other stations.
46. GWR believes that small licences may benefit from the ability to share programming during daytime hours but outside peaktime programmes for commercial reasons.
6. **Do you agree that each station should be required to maintain a format and localness file, available both at its premises and online, which demonstrates how it is meeting its obligations?**
47. GWR does not support the introduction of a format and localness file.
48. GWR believes that such a file would place a significant administrative burden on individual stations without generating any tangible benefit for consumers. Ofcom has the right to request information from all licensees and believes that this right is sufficient for Ofcom to gather information and to assess whether obligations are being met.

- 7. Do you agree with our revised localness guidance, which sets out the factors stations should take into account in providing local programming?**
49. GWR agrees with the positive elements of the 'localness guidance'.
50. GWR is generally supportive of the content of the 'What it is' section, although it feels that the first point in it is ill-considered. GWR feels it is not the role of ILR to "offer a distinctive alternative to UK-wide or nations' service"²⁵. Does this mean that if the UK-wide services of the BBC change their format and style, it is for ILR to move aside to accommodate this? ILR succeeds by being true to its local communities, whatever the national radio offerings might be.
51. GWR believes the 'What it [localness] isn't' section is unnecessary. Whilst GWR shares many of the sentiments set out in that section, being prescriptive in this way does not fit with "light-touch" regulation. GWR proposes that a strong 'What it is' and 'How it should be delivered' seems a much better way to regulate this subject.
52. Other than comments made elsewhere in this response, GWR is generally supportive of the content in the 'How it should be delivered' section. GWR suggests that localness guidance should also cover the difference between passive and active local activity. True localness is felt when stations take a proactive role in the communities they serve. An example of passive localness would be merely covering a news story that talked about a decline in reading standards in a station's area. Active localness would be a station taking that issue to heart and finding ways to encourage young people to read, as in the case of GWR Bristol's "Read to Achieve" and "Read a Million Words" projects in the Bristol Education Action Zones.
53. GWR believes that regulatory concern about systems such as news hubs is actually a concern about the disadvantages of passive localness. Some discussion in the localness guidance encouraging licensees to show their active localness may be a better way to ensure continued local relevance of ILR.

The growth of digital radio

- 8. Do you agree with our proposals to allocate more spectrum in VHF Band III for DAB-compatible use (subject to spectrum clearance and international agreement) in the following way:**
- **Three blocks to provide local multiplexes to those areas which currently do not have their own local multiplex and some areas which already have local multiplexes?**
54. GWR believes that the long-term future of radio is digital and that this can be achieved through DAB. However, to ensure this all radio operators, not just the largest, need to have the ability to migrate to digital. In our response to the January 2004 consultation, we stated that "*a development strategy that benefits the maximum number of citizens through the rolling out of DAB across 'white' areas, ensuring all consumer citizens are able to receive simulcasts of their favourite analogue services before licensing further layers of multiplexes is in the best interests of the radio industry as a whole*" and that Ofcom "*should utilise spectrum to*

²⁵ Page 83 of the Consultation Paper.

enable further breadth of choice for consumers, whilst recognising regional tastes and interests". GWR still believes this to be the correct approach.

55. Therefore, whilst GWR welcomes Ofcom's proposals to release more spectrum to enable more local analogue services to migrate to digital, GWR does not believe that the proposed three blocks of spectrum are sufficient to accommodate the complete transfer of analogue local radio to digital.
56. This concern has been increased by comments made by Ofcom's Chief Executive, Stephen Carter at the launch of the Consultation Paper in December 2004 that three blocks will accommodate "*almost all*" of the current analogue local stations²⁶. This statement appears to contradict the advice of the Analysys Report which states that "*granting five local multiplexes would allow all existing radio regions to have their own multiplexes*"²⁷. This implies that all analogue services would have the opportunity to migrate to digital within their existing 'footprints'.
57. Ofcom now suggests that analogue and digital may well co-exist, with new analogue licences being advertised and new uses for analogue spectrum being considered. GWR does not believe that it is credible to suggest that analogue capable radio devices will exist in the long term, or at least not at the affordable prices they sell at today. The growth in digital sales and potential revenue streams are likely to lead to retailers stocking DAB-only devices. Indeed, GWR is aware that some set manufacturers are already asking the DRDB to lobby the relevant authorities, including Ofcom, for a date after which they would no longer be required to manufacture analogue radio devices. The mixed analogue and digital future that Ofcom now appears to envisage sends a conflicting and confusing message to consumers, retailers and manufacturers. It creates uncertainty as to whether radio will or will not become a purely digital medium.
58. GWR urges Ofcom to embrace the view that all radio will one day be digital and that DAB digital radio is the key technology, particularly due to its unique suitability for local radio.
59. In addition, GWR questions how, given that the five bands currently allocated to local DAB have enabled less than 45 per cent. of ILR services to simulcast digitally, a further three bands will enable close to the remaining 55 per cent. to seek a digital future (let alone the new FM stations being licensed by Ofcom and the 192 Community Radio stations put forward in late 2004). In relation to GWR's FM services, allocation of only three blocks will not enable all of GWR's FM licences to transfer to digital, the digitally excluded being Ten-17 (Harlow) and SGR Colchester, both of which suffer from competition for places on the London multiplexes.
60. Ofcom's current proposals will result in some local stations being stranded indefinitely on analogue and will prevent the complete transfer to digital radio. This will mean that in some parts of the country, popular FM or AM stations may not migrate to digital. Moreover, the current plans may, in the longer term, lead to a diminution of choice for some consumers (for example, if a consumer has a digital radio which does not pick up the remaining local FM stations, this would lead to consumer dissatisfaction and audience losses for that local station (which in turn may have a dire effect on its business)). It is not clear if Analysys, in preparing their report, considered the impact on investors in the industry.

²⁶ Speaking at the Radio Stakeholder Briefing on 15 December 2004.

²⁷ Page 63 of the Analysys Report.

61. Further, we disagree with Ofcom's claims that DAB is too expensive to enable all analogue operators to migrate.²⁸ Whilst it is true that in many cases DAB carriage charges currently exceed transmission costs on analogue, we believe that this is due to the early status of DAB transmission technology. Over time, as with the price of DAB receivers, the cost of DAB transmission will also decrease. In the future therefore, it is likely that DAB carriage charges will be equal to, if not less than, analogue transmission costs. Ofcom claims that "*the financial challenges of operating DAB services have already seen a number of independently owned DAB stations go out of business, including Purple Radio and Ministry of Sound Radio*"²⁹. However, these stations are not representative examples. Contrary to the impression given by Ofcom, neither of these stations ceased to operate due to the high costs of DAB broadcasting, but rather for other reasons specific to those businesses. Ofcom has failed to recognise any of the new DAB only businesses such as Swindon Radio, Gaydar, Panjab Radio, Passion for the Planet and Zeta FM (none of which are "*hospital, community or student services*"³⁰).
62. For all these reasons, we are concerned that Ofcom's proposals will fail to deliver its key strategic aims, namely "*to enhance choice, diversity and innovation for consumers at the UK, national, regional, local and community levels*"³¹.
63. GWR suggests that Ofcom develops revised proposals aimed at migrating all local FM and AM stations onto digital, on the basis that the market may deliver solutions which make this viable using DAB digital radio. This is particularly important given that, as Ofcom highlights, "*radio is probably better than television at delivering local content and community programming, both in terms of the volume of provision and the ability to serve smaller geographical areas than television has been able to do to date.*"³²
64. For the reasons stated earlier, GWR also suggests that Ofcom allocates at least four blocks of spectrum to local radio multiplexes. GWR suggests that Ofcom does not immediately seek to license all available blocks of spectrum to local multiplexes but rather, in order to maintain flexibility, to keep at least one of the blocks of spectrum in reserve. This will allow Ofcom an opportunity to assess the impact the availability of the other blocks of further spectrum is having on this developing market.
65. When considering the timetable for licensing further local multiplexes, GWR believes that Ofcom should take account of market conditions for operators of digital radio multiplexes and digital-only radio stations. Ofcom's Consultation Paper recognises that this market is fragile. Therefore, a gradual timetable should be adopted to avoid destabilising the DAB digital radio market.
66. GWR urges Ofcom to provide a list of the stations where no provision has been made for digital migration. GWR believes this list would include some existing FM and AM stations in metropolitan areas where all multiplexes are full, some (but not all) smaller local FM and AM stations, community stations and some stations on FM and AM which Ofcom plans to licence over the coming years. Without such a list, it will be difficult for consumers and the industry to assess the true disadvantages of Ofcom's proposals (especially those consumers whose favourite station might be stranded on analogue under Ofcom's plans).

²⁸ Page 116 of the Consultation Paper.

²⁹ Page 116 of the Consultation Paper.

³⁰ Page 116 of the Consultation Paper.

³¹ Page 19 of the Consultation Paper.

³² Page 49 of the Consultation Paper.

67. We note Ofcom states "*It may also be possible to licence second or third local or regional multiplexes in some areas which already have an existing local or regional multiplex (not shown in the above lists). We have not yet identified all of the areas where it may be possible to licence additional local multiplexes and will publish proposals in due course.*"³³ GWR suggests that full details should also be provided of how these blocks might be used to add further choice and competition in parts of the country where local and/or regional multiplexes already exist.
- **One or two blocks for national coverage (depending upon whether four or five blocks of spectrum are available in total)?**
68. GWR strongly opposes Ofcom's proposal to issue further national multiplex licences. As set out above, such action is unlawful, unfair, unjustified, and disproportionate³⁴. GWR sets out below related and complementary arguments.
69. In short, GWR maintains that this proposal would be contrary to the actions and representations of Ofcom's predecessor, the Radio Authority, when issuing the national commercial multiplex licence to Digital One in 1998.
70. Further, Ofcom's proposals fail to take proper account of the significant and continuing investment GWR and others have made in the digital radio industry.
71. Further, although the precise nature and timing of the licences proposed to be advertised and issued by Ofcom remains unclear, Ofcom's proposals fail to take proper account of the potential damage that may be caused to GWR and others by such proposals. Like other shareholders in Digital One, GWR has yet to receive any return on its significant investment. GWR believes it would be unjust, unfair and unlawful if, just when it may start recovering these costs, a regulator seeks to exploit this recent upturn in the market and issue further licences. The damage that may be caused to Digital One's business is dealt with more fully in Digital One's Response to the Consultation Paper. In addition, the proposals would also be likely to damage GWR's interests as a local multiplex and service operator, as well as an investor in Digital One.
72. We would also highlight three further potential results that flow from licensing further national commercial multiplexes:
- 72.1 Such action would not necessarily increase choice. Depending upon the operator, it is likely that some services currently operating on local multiplexes would transfer to a national multiplex. In areas that currently receive that service, choice is not increased. In areas that do not currently receive such a service locally, they may still not receive it nationally as the new national multiplex operator may not wish to replicate the population coverage of the BBC or Digital One (currently approximately 86 per cent.), preferring instead to concentrate on the more commercially lucrative conurbations. Maximising choice to the largest number of consumers is only likely to arise through the licensing of targeted local multiplexes under the Broadcasting Act regime.

³³ Page 140 of the Consultation Paper.

³⁴ GWR refers to its further representations set out in the confidential annex.

72.2 Such action may also cause concern in the wider market including to potential investors in the sector. Such investors may be alarmed about the apparent change in position of the regulator. The issue of further national multiplex licences may create the perception of increased regulatory risk and this could damage market development more widely.³⁵

72.3 Such action may cause Digital One and its investors, including in particular GWR, to scale back its plans for rolling out its transmitter network. This result would clearly conflict with Ofcom's stated objective of ensuring the availability of DAB services throughout the UK.

9. Do you agree that the proposed local DAB digital radio multiplexes should be awarded as Broadcasting Act licences?

73. GWR believes that all multiplexes should be regulated under the same legislation and that it would be unfair for operational restrictions and regulatory requirements affecting some multiplexes to be less onerous than those affecting others.

74. The Broadcasting Act 1996 provides a framework to migrate UK local radio from analogue to digital, and to regulate it. There is no evidence that this legislation is flawed or fails to properly deliver public interest benefits. Therefore, there is no need to redesign the system.

10. Do you agree that the frequency blocks proposed to be allocated to national coverage should be awarded under the terms of the Wireless Telegraphy Act only (i.e. without the need for a Broadcasting Act licence)?

75. As set out above, GWR's position is that Ofcom is not entitled to proceed to issue further national multiplex licences (in whatever form). Without prejudice to this position, GWR makes the following additional and complementary submissions.

76. GWR believes that all multiplexes should be regulated under the same legislation and that it would be unfair for operational restrictions and regulatory requirements for some multiplexes to be less onerous than for other multiplexes. GWR refers to the relevant paragraphs in the confidential annex.

77. The Broadcasting Act 1996 provides a framework to migrate national radio from analogue to digital, to encourage new national choice and to regulate it. There is no evidence that this legislation is flawed or fails to deliver properly public interest benefits. Therefore, there is no need to redesign the system.

78. Although Ofcom's proposals remain unclear, GWR is concerned that if Ofcom proceeds with its "*preferred option*" of awarding further national multiplex licences exclusively under the Wireless Telegraphy Act rather than the Broadcasting Act, then there is a risk that Ofcom would discriminate unfairly between multiplex licensees (one of which would be Digital One). These licensees would be regulated under different statutory regimes. Digital One would not be competing on a level playing field. For example, as Ofcom itself acknowledges, future multiplex licensees would not be subject to the same restrictive requirements that Digital One has to comply with. There is no objective justification for this discrimination. GWR fears Ofcom's proposals would distort fair competition.

³⁵ See 3.8 of the NERA Report.

11. What demand do you envisage there being for nationally-allocated DAB compatible spectrum?

79. As set out above, GWR's position is that Ofcom is not entitled to proceed to issue further national multiplex licences (in whatever form). Without prejudice to this position, GWR would make the following additional and complementary submissions. GWR accepts demand for national capacity may be strong amongst certain radio groups who have secured carriage for all their existing analogue services on local DAB multiplexes and therefore whose growth ambitions could be met through regional or national multiplexes. However, even if it were permissible to license such spectrum (which it is not), GWR believes that it would be unfair for Ofcom to give preference to the desires of those few commercial entities, rather than satisfying and serving consumers as a whole. Ofcom states "*discussions with the industry and representations made to Ofcom suggest that there would be demand from stations to launch on DAB digital radio, some of which are currently only available via digital television*"³⁶. GWR repeats its comments regarding its concerns about this evidence of demand and its submissions on choice, both set out above.

12. Do you think the limit on non-programme related data carried on each commercial DAB digital radio multiplex should be raised from the current limit of 20 per cent.? If so, what should the limit be raised to? What do you envisage extra capacity would be used for?

80. GWR supports an increase in the current 20 per cent. limit on the use of capacity for non-programme related data.

81. GWR believes a significant factor underpinning uptake of DAB in the future will be technological advancements, in particular data services. These will enable radio to provide a level of service which many consumers are already expecting of other technology, for example EPG services, 'red buttons' etc.

13. Do you think the limit on non-programme related data (including radio) carried on each commercial digital terrestrial television multiplex should be raised from the current limit of 10 per cent.? If so, what should the limit be raised to?

82. GWR supports an increase in the current 10 per cent. limit on the use of capacity for non-programme related data on each commercial digital terrestrial television multiplex.

83. Assuming that DTT multiplex licences list the services to be provided then, provided the relevant technical codes are observed, if capacity can also be made available for commercial radio services (or other non-television content) this should not be limited by regulation. This change would be consistent with Ofcom's 'light touch' approach.

³⁶ Page 129 of the Consultation Paper.

14. Do you agree with the proposal to abolish the minimum bit-rate limit for DAB digital radio and replace it with a co-regulatory system akin to that applied in television for picture quality?

84. GWR supports the replacement of specific requirements about audio bit-rates with a system of co-regulation to define audio quality standards which meet audience expectation. As audio compression technology improves, existing services will sound better whilst operating on lower bit-rates. Lower bit-rates will enable more channels to operate on each multiplex and this in turn will further increase choice for listeners.

Future licensing

15. How should Ofcom allocate further MW (AM) frequencies between commercial and community radio?

85. GWR does not believe that Ofcom should advertise the proposed MW frequencies. The Government has a wish for the British population to become digital. The BBC and commercial radio (as well as the television and telecommunications sector, and device manufacturers) have embraced this and have invested considerably to make sure it happens. Indeed, many device manufacturers have ceased to include MW in their modern radio designs, as they are now concentrating on FM.

86. GWR believes that Ofcom, by advertising MW frequencies, will be taking a retrograde step. At the same time as saying that the future is digital, it would also be seen to be suggesting that the future is a declining analogue platform and will be so for many years to come. We believe the position relating to FM licences is clearly different. FM is a viable platform and the analogue platform on which many consumers choose to listen. It can provide a stepping stone to DAB digital. The AM platform, in the main, has been in decline for many years.

87. Apart from a limited number of exceptions, such as BBC Five Live and certain ethnic services, AM listening has dramatically reduced. GWR questions whether it is right that Ofcom continues to licence ethnic communities on the inferior MW frequency, rather than provide additional local and regional DAB digital radio multiplexes to enable these vibrant British communities to broadcast locally to higher standards.

16. How might we accommodate the advertisement of new commercial MW licences into our existing FM licensing plans?

88. GWR does not believe that Ofcom should advertise the proposed Medium Wave frequencies and as such provides no answer to this question.

The overall strategic framework for radio

17. Do you agree with the proposed strategic framework for the future regulation of radio, which aims:

- **To enhance choice, diversity and innovation for consumers at the UK, national, regional, local and community levels.**
- **To secure citizens' interests through the provision of radio designed to meet public purposes.**
- **To do this with as little intervention in the market as possible, consistent with meeting our objectives, in a way that is as consistent as possible across media and across platforms.**

89. GWR believes that the future for radio is strong, with a wide breadth of services. Over-regulation can often lead to a reduction in creativity and therefore choice. GWR therefore supports any proposal that reduces (and even eliminates) regulation on inputs, placing focus on the prevention of offence and harm, and delivering what has been promised. We believe that such an approach will enhance choice and diversity and stimulate innovation at each level of operation.

90. The development of a series of public purposes for commercial radio is supported by GWR, and in discussion with the think-tank Demos, we have prepared a research proposal to develop public purposes for our operations.

91. Consistency across media and across platforms is a laudable ambition. As this Response makes clear, Ofcom is some way from attaining this objective in its attitude to digital switchover for radio (compared to its enthusiasm for digital TV switchover), and in its approach to renewing INR licences (compared to ITV licence renewals).

18. How important do you think it is to develop a set of public purposes for radio and what should those public purposes be?

92. GWR welcomes Ofcom's suggestion that a set of public purposes for radio should be developed. We are pleased that Ofcom is recognising the important role that radio plays in providing public purpose across both commercial radio and the BBC.

93. Both local and national commercial radio stations deliver significant public purpose to the communities that they serve – be they local communities, or communities of interest (e.g. Classic FM). This public purpose is demonstrated in social and cultural fields and, more widely, in the overall effect commercial radio has on the UK economy as a whole.

94. Commercial radio has a positive impact on the economy in many ways:
- 94.1 Commercial radio provides a vehicle which generates significant advertising revenues.
 - 94.2 Commercial radio is a significant employer of people, employing around 9,100 people, of which only 13% are based in London, compared with 28% of the overall radio industry³⁷;
 - 94.3 Local commercial radio stimulates the local economy through its interaction with both its listeners and with the wider community. The strength of community spirit that it creates encourages listeners to spend money locally, which encourages local traders to spend more on advertising, which further drives local spend stimulating the local economy;
 - 94.4 Local radio has a strong economic multiplier – that is, the ‘ripple effect’ of expenditure in one area entering the economy and resulting in economic impacts on areas not directly related, such as job creation, increased property values and support to other businesses and areas of activity, including tourism, taxis, restaurants. In a study by the Bristol Cultural Development Partnership, broadcast media was found to have the highest economic multiplier³⁸;
 - 94.5 Radio’s role in reflecting and interacting with the community enhances local pride, which in turn results in better city environments and makes the area more attractive for citizens and companies; and
 - 94.6 There are strong secondary economic effects. Commercial broadcasting has contributed to making the UK advertising industry a world leader. In addition, there are strong crossovers with other parts of the creative industries including music, theatre and film. Radio also helps sustain jobs in training, special effects, games and multimedia.
95. Radio has a definable social impact. For example:
- 95.1 The Institute of Public Policy Research found that in addition to the functional information role, radio has an emotional impact through providing companionship, mostly in private, and used Radio Advertising Bureau data to show that radio is seen as a friend; and
 - 95.2 Its role in supporting the community is critical. Radio’s development of local charitable initiatives in terms of both heightened awareness and financial support is significant. In 2004, GWR’s stations raised more than £890,000 for station charities, and supported events such as Race for Life which raised £17.5 million for Cancer Research UK. In January 2005, the UK Radio Aid event raised £3.3 million for Tsunami Relief, in a further demonstration of the power of radio to move listeners.

³⁷ Skillset.

³⁸ Report by Andrew Kelly, Head of Cultural Development for the Bristol Cultural Development Partnership.

96. Equally important is the cultural awareness that both local and national commercial radio provides:
- 96.1 By actively interacting with their listeners, both on-air and off-air, through areas such as sponsorship, promotions, station-branded concerts and CDs, commercial radio is able to stimulate its audience in an accessible way. Classic FM is the best example of this effect, bringing classical music to more than 6 million new listeners;
 - 96.2 Investment in future talent is a further benefit, both directly employed by the organisation and freelance; show-casing new talent ensures the continued cultural strength of the UK; and
 - 96.3 Commercial radio has always seen public purpose within its community as a key part of its role, and a key driver of its success. Given the importance of public purpose (or public value) in today's current thinking across media and other entertainments as indicated above, GWR and has been working with the think-tank Demos to develop a proposal for the creation of a public purpose framework across commercial radio. We would be delighted to work alongside Ofcom in this.
- **Is the set of public purposes already developed for television a useful starting point?**
97. Ofcom's review of Public Service Broadcasting on Television identified a number of public purposes:
- 97.1 To inform ourselves and others and to increase our understanding of the world through news, information and analysis of current events and ideas;
 - 97.2 To stimulate our interest in and knowledge of arts, science, history and other topics through content that is accessible and can encourage informal learning;
 - 97.3 To reflect and strengthen our cultural identity through original programming at UK, national and regional level, on occasion bringing audiences together for shared experiences; and
 - 97.4 To make us aware of different cultures and alternative viewpoints, through programmes that reflect the lives of other people and other communities, both within the UK and elsewhere.
98. Taking each of these in turn:
- 98.1 At the heart of local commercial radio is national and local news, and information about local issues that we broadcast to our listeners. The local radio station is where people tune to find out about local events, weather, traffic and news. News provision is central to the radio station's interaction with its community and listeners.

- 98.2 Commercial radio stations each broadcast an average of 157 news bulletins a week, or over 22 a day including a range of local, national and international stories³⁹. Radio is everywhere and is uniquely placed to provide news and information to people who might not choose to sit and watch lengthy news or current affairs programmes on TV.
- 98.3 Commercial radio provides a key community impact in keeping its listeners informed and aware of their community concerns and local events, as well as a way to access a broader news service.
- 98.4 Classic FM has stimulated a whole new audience to tune into classical music, many of which will evolve to become classical music concert goers. It has introduced new classical artists into the UK, and played a key role in refreshing the audience's tastes in classical music.
- 98.5 Local commercial radio is able to provide programming to its audiences that will engage its listeners at all hours of the day, due to its "homogeneous" nature – listeners can tune in to the radio at any time and know that what they are looking to hear will be being broadcast (popular music, together with local news, information and issues).
- 98.6 It is not only local radio that can provide this consistency of programming. Classic FM has led the way in broadcasting radio that targets a non-local, but in many ways homogeneous audience in their listening needs and behaviours. The investment, led by GWR, into DAB has allowed more communities of interest to be targeted with stations such as Planet Rock, The Storm and Childrens' Radio UK, whilst other service providers serve distinct audiences with stations such as Gaydar and Passion for the Planet.
- 98.7 Local commercial radio plays a critical role in making its listeners aware of local cultures and viewpoints. The programming that it provides reflects the local community and interacts with the listeners. In areas that have a significant ethnic population, the local radio station reflects that culture through ethnic news, information and focus on issues.
- 98.8 Local commercial radio stations have coverage areas that enable them to truly reflect their communities. Unlike the ITV regions, local radio programming is relevant to all listeners, since radio broadcast areas are compact and locally homogeneous. There are only 15 ITV regions, compared with over 300 local commercial radio stations, thus radio stations can closely reflect their communities. As ITV provides less and less truly regional programming, radio becomes more and more entrenched in the communities that it serves and is unique in its ability to truly interact with its listeners and reflect their issues and needs.

³⁹ CRCA report: "Commercial radio: in the public service".

- 98.9 Furthermore, local commercial radio stations play a key part in providing support for, and raising awareness of, local charities. Most of GWR's local stations have spearheaded charitable projects that stimulate local education, through for example the focus on literacy. In GWR Bristol, a simple "Reading Buddies" volunteering project led to a more extensive "Read to Achieve" campaign which has now evolved into the challenge to each Bristol school pupil to "Read a Million Words" and on a national basis, Classic FM provides awareness and financial contribution to support orchestras, musical education, venues and festivals throughout the country.
99. In summary, therefore, GWR believes that the public purposes developed for TV are a useful, but not complete, starting point in developing radio's public purposes. GWR agrees with Ofcom that as part of developing public purpose for radio, it will also be important to debate the relevance to commercial radio of the BBC's concepts of Public Value for its services.
100. The BBC's recent publication "Building Public Value" states that there are five main ways in which the BBC creates public value⁴⁰. GWR believes that there are useful elements in the BBC's Public Value concepts and that these concepts, together with Ofcom's public purposes developed for TV, may serve as a useful starting point in the development of public purposes for radio.
- **What else should be added or what should be taken away?**
101. The focus of radio's public purpose is on community – both local community in the case of the local commercial radio stations and community of interest in the case of stations such as Classic FM.
102. Audience research shows that localness is the most important element to listeners – and the sense of local community that it brings is unique amongst media. Even the most local of newspapers cannot provide it to the same extent as radio as the significant amounts of audience interaction between a radio station and its listeners are key. As the other ways in which local communities' identities are reinforced are reduced, radio plays a critical role in its provision of a sense of localness. GWR believes that, for commercial local stations, this is radio's most important public purpose.

⁴⁰ Democratic value: providing trusted and impartial news and information to help citizens make sense of the world and encourage them to engage with it. Cultural and creative value: bringing talent and audiences together to break new ground, celebrate our cultural heritage, broaden the national conversation. Educational value: offering formal and informal educational opportunity in every medium. Social and community value: the BBC seeks to build social cohesion and tolerance through providing greater understanding of the UK's many communities. Global value: the BBC supports the UK's global role by being the world's most trusted provider of international news and information, and by showcasing the best of British culture to a global audience.

- **What is the relative importance of the different elements?**

103. The relative importance of the different elements will vary from station to station. However, GWR believes that the four overall key public purposes for radio are:

103.1 To inform ourselves and others and to increase our understanding of the community through impartial news, information and analysis of local events and ideas;

103.2 To stimulate our interest in the community and our knowledge of culture and other issues relevant to the community, through content that is accessible;

103.3 To reflect and strengthen our local and national identity through interacting with audiences, locally or nationally, on occasion bringing audiences together for shared experiences; and

103.4 To make us aware of local cultures and viewpoints, through programmes that reflect local communities and interact with them.

These are GWR's initial conclusions. The research project GWR has undertaken with Demos will amongst other things be charged with refining and revising these ideas in the light of research and discussion.

- **Are there things that are better delivered by radio than other media?**

104. Radio interacts with the local community in a way that no other medium is able to. Its ability to strengthen local community as well as reflect local culture is a result of each station broadcasting to small, demographically well-defined audiences.

105. Radio is able to create a sense of community in a way that the regional TV channels cannot. It is able to provide a "one-stop shop" for listeners in a way that no TV channel can. It supports the local community in a way that TV cannot. It is the only truly interactive local medium

19. To the extent that it is possible to comment at this stage, how do you think those public purposes are best delivered?

- **How important is plurality of provision of the public purposes for radio?**

106. It is important that plurality of provision is looked at from the perspective of individual listeners in individual local areas, not on a broader basis. Ofcom should consider plurality as the number of choices of different owners of radio stations available to each listener at each point.

107. GWR believes that the relevance of plurality of ownership in a digital world starts to become reduced, since the additional choices provided by DAB results in even greater plurality.

108. Commercial radio is defined by its public purposes – if it does not deliver them, the listeners will tune in elsewhere. Interaction with listeners, rather than plurality of provision, is important for the public purposes of radio.

- **How much of what commercial radio currently does could be classified as meeting public purposes?**

109. Everything commercial radio does would be classified as meeting public purposes as it is material that is demanded by the public:

109.1 Through its news and discussion of relevant issues it informs listeners and increases their understanding of the community – both local community in the case of the local stations, and community of interest in the case of the national stations such as Classic FM.

109.2 Through its focus on local culture, concerts and other areas of local interest, it stimulates listeners' interest in the community and knowledge of culture and other issues relevant to the community.

109.3 Through its constant interaction with the audience both on-air and off-air it reflects and strengthens both local and national identity.

109.4 Through ensuring that the content is developed and produced to reflect the community to which it is broadcasting, it makes listeners aware of local cultures and viewpoints.

- **How well does the current market structure help fulfil public purposes in radio?**

110. GWR believes that the current market structure means that the public purposes outlined above for radio are currently delivered. The local radio stations serve very local markets by reflecting local tastes and interests, allowing them to support their local communities. Nationally the market structure works well, resulting in acclaimed stations such as Classic FM.

111. The digital future, if developed under Ofcom's careful and proper guidance, will ensure that the market structure continues to fulfil public purpose with a wider choice of content for listeners, enabling even more of a focus on communities – both locally and nationally.

- **Should the BBC's radio archive be made available more widely to commercial players to provide alternative radio services?**

112. The BBC has thousands of hours of publicly funded material in its archive, much of which it will never have the airtime to use again. GWR believes that the archive should be more widely available to commercial operators who can use it as a foundation to create great programming for their listeners.