



Radio - Preparing for the Future

Phase 2: Implementing the Framework

Consultation

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Foreword

This phase of Ofcom's review of the UK radio industry, *Radio - Preparing for the Future*, which sets out the regulatory framework for the years ahead. As such, it sits alongside the Strategic Framework documents for other key parts of the wider communications sector (the Telecommunications Strategic Review, the Spectrum Framework Review and the Statutory Review of Public Service Television Broadcasting) which Ofcom has published over the past year.

Radio as a medium is increasing everywhere, ubiquitous in its reach and its power to inform and entertain locally, nationally and immediately. Listeners love their local station; they participate in their community station; and they regularly tune into their favourite stations. They move seamlessly from commercial to BBC radio and, through the ease with which radio has been distributed on multiple platforms, listeners have taken radio into the digital world in many ways ahead of its sister broadcasting medium, television.

While this is called a review of the radio industry, in fact Ofcom has regulatory responsibility for only part of the wider radio sector which comprises: BBC Radio, Commercial Radio; the new Community Radio sector; temporary radio services for events etc. licensed under Restricted Service Licences; and radio services delivered by new media, whether digital television, mobile devices or the internet, some of which are not subject to regulation, others of which are subject to a very light touch Ofcom licensing regime.

Historically, radio regulation has concerned itself with the licensing of the Commercial Radio sector, and primarily in recent years with FM licences. That historic concern represented Ofcom's jumping off point when we were vested with our regulatory powers at the very end of 2003. Since then Ofcom has:

- Introduced a streamlined and accelerated awards process for the remaining FM licences which can be accommodated within today's spectrum constraints for FM. Of the remaining 35 or so potential FM licence areas, 14 have already been awarded, bringing additional choice in commercial radio services to 5.8 million listeners. The remaining 20 or so FM licences will, we expect, all have been awarded by 2007;
- Launched the new Community Radio sector. To date 48 licences have been awarded for services in locations around the UK. The awards process is demonstrating keen interest from a very wide spectrum of providers to supply a range of new, not-for-profit radio services for their local communities.
- Supported the development of new, digital-radio based multi-media services, through flexibility in the licensing regime to allow new services, such as the GCap/ BT Livetime service, to get off the ground.

Going forward, Ofcom's ambitions through this review are to enable the sector to have more routes to audiences, more easily and more flexibly. Radio remains an important medium, which has public purposes that go beyond simple entertainment. In the digital era, the BBC and the new Community Radio sector will increasingly represent the direct public intervention to secure those wider public purposes. For Commercial Radio, the routes to digital remove the constraints of spectrum scarcity and allow a larger number of more diverse radio stations to increase choice for the listener to deliver, in a way that makes

commercial sense, those public purposes which, historically, regulation has sought to secure through licensing and detailed control of inputs.

There will remain a bed-rock of regulation, that Parliament has deemed necessary to achieve public purposes through Commercial Radio. But the consultation responses to our earlier document have confirmed Ofcom in our view that this bed-rock should increasingly be delivered through output regulation: the 'feel' of a station and listeners' experience – placing greater self-responsibility on station owners and their audiences rather than top-down prescriptions on a series of inputs. In this document we set out how output regulation can deliver the traditional concerns about 'sticking to the format promised', and to the new and important duty of securing localness, that Parliament has given to Ofcom.

Those are the objectives. This review document- and its sister publication, *Radio - Licensing Policy for VHF Band III, Sub-band 3* – sets out how these can be achieved and implemented. Of course, the future of a key element in the radio universe- BBC Radio- is part of the BBC Charter Review process being conducted separately by HM Government. Ofcom's responsibility in terms of the day to day regulation of licensing and radio do not extend to the BBC. But the BBC will be directly affected by our approach to the digital market: whilst in analogue AM and FM commercial radio came after the BBC, in digital both are developing together.

One of the most important issues concerns licensing policy. The majority of the demand for licences in Medium Wave was for large scale stations which the frequencies would not support. There was limited demand for other commercial services. But, importantly, Medium Wave spectrum has the potential to provide a digital migration path for small commercial and community stations through digital standards such as Digital Radio Mondiale; and we will look for scope to use Medium Wave to create such routes to digital. Medium Wave will continue to be licensed for community radio stations but licensing for analogue commercial radio is not currently a priority.

A significant quantity of spectrum in Band III, adjacent to existing Digital Audio Broadcasting services should become available shortly. In our Phase I document we suggested that this spectrum should be made available for digital radio for a combination of greater local coverage and additional scope for more national services.

There was a range of responses, with the majority endorsing Ofcom's preliminary conclusions.

In the parallel publication, *Radio - Licensing Policy for VHF Band III, Sub-band 3*, we propose that using this spectrum to achieve additional coverage for DAB local services and additional choice of DAB national services is the best way forward. Television has a secure forward base in digital. Digital Television has in recent years developed faster than Digital Audio Broadcasting. Nonetheless, over the past two years DAB take-up has developed rapidly with over 1.8 million DAB receivers now in the UK market, so it is approaching critical mass. Ofcom is persuaded that there are strong public policy reasons for making Band III spectrum available to complete the pattern of local multiplex licensing, and to ensure that additional services are available at national level.

Ofcom therefore proposes to allocate three blocks in Band III to complete the gaps in local multiplex coverage, and one block for an additional national multiplex, all to be licensed under the Broadcasting Act.

A key conclusion of the technical work which has fed into this Phase II Report is, that there will be a range of possible standards across Europe in the coming years and that technological development will increase the number of possibilities. These range from radio standards such as Digital Radio Mondiale (which could enhance the consumer value of the Medium Wave spectrum) to multi-media standards such as DMB/DVB-H, 3G and mobile satellite. These technologies provide exciting opportunities, and the market is already working towards delivering extra consumer benefits: manufacturers are demonstrating forward looking combined chip-sets incorporating DAB and Digital Radio Mondiale standards.

In radio, Europe-wide or, still more, world-wide, there is unlikely to be a single answer. Ofcom will follow these developments closely, and work with the radio industry to help ensure that it is best placed to take advantage of the opportunities they present.

The conclusions of this Review may seem technical. But that is because they are about a means to an end. The end is to enable radio to grow and flourish in the digital age and to remain that intimate and personal medium that brings us great music, sport and opinion, that connects us to our local communities and informs us about the wider world wherever we are.

Section 1

Executive Summary

Context

- 1.1 In the analogue world a combination of policy decisions and spectrum constraints have resulted in a radio market in which, broadly, the BBC predominates in UK-wide radio and the commercial sector predominates in local radio. Partly as a result of this, commercial radio is much less well funded, at both the UK-wide level and the local level, station by station, than the BBC and so the two sectors currently provide very different types of programming.
- 1.2 Digital radio, delivered via a number of platforms, is beginning to change this but the market is still dominated by analogue radio.
- 1.3 Radio in the UK is now broadcast on a number of platforms, including analogue radio, DAB, digital television and the internet. Ofcom's remit in the radio market is limited to certain areas – it does not regulate the BBC (except to deal with certain categories of complaint) or internet radio, and its regulation of commercial and community radio varies by platform.

Ofcom's overall strategic framework for radio

- 1.4 Digital radio provides many benefits for listeners, including greater choice of stations, easier tuning, more features (such as the ability to pause and rewind live radio) and the possibility of data services. In the future it is likely that the vast majority of radio listening will be to digital platforms such as DAB, radio via digital television and the internet. While Ofcom remains technology neutral, DAB digital radio is currently the only platform which offers the benefits of digital radio free to air, to mobile and portable receivers and which can guarantee a range of local and UK-wide services to the vast majority of the UK. As such it is important that we put in place the conditions to allow DAB digital radio to expand and thrive in the digital age, without precluding the development of other platforms over time.
- 1.5 Our overall vision for radio is to allow for increased competition in the market to provide as wide a range of services as possible and develop complementary new and innovative multimedia services to serve consumers' needs. Ofcom's role is to make that vision possible.
- 1.6 This will allow us to re-balance the way we regulate radio, withdrawing from regulation wherever we can, while ensuring the provision of those things that society values but which the market may not provide fully.
- 1.7 Our strategic framework for the future regulation of radio therefore has three elements:
 - 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.

1.8 If we follow this framework what might the radio market look like in 10-15 years time?

- A strong, independent BBC, providing a range of distinctive services which meet the public purposes of radio, as set out by the Green Paper on the future of the BBC. BBC radio services should aim to meet these public purposes across the schedule as a whole, including at peak times. But the BBC should operate in a way that is mindful of its effect upon commercial and community radio. A number of new measures will be required to ensure that this happens, as suggested by the Green Paper on the future of the BBC and Ofcom's response to that Green Paper.
- A multitude of community services at a very local level, providing social gain and listener involvement and training, for every community or establishment that wants and can sustain such a service wherever they are in the UK.
- A wide range and diversity of local and regional commercial services, catering for local tastes and interests and providing those elements of localness which listeners tell us they value – in particular (but not limited to) local news and information.
- A wide range of UK-wide stations offering new and innovative services, catering for a broad variety of tastes and interests, providing competition for the BBC and plurality of provision across all major programme genres at both a UK-wide and individual nation level. Just as digital television has evolved to provide channels catering for niche audiences, so should radio. Many of these niche genres are likely to be commercially viable only at a UK-wide level.
- A range of subscription radio services, offering programming that may not be supportable by traditional advertising methods.
- A range of long-term restricted service licences (LRSLs) catering for single sites and temporary services (short-term RSLs), for example, those catering for the needs of particular events (festivals, sporting events, etc).
- All of these services supported by multimedia services where viable, offering on-demand services, downloads, archive programming, text and graphical information.
- And all of these services available where and when audiences want to consume them on devices which offer real consumer benefits, whether stand-alone radio devices, integrated multimedia communications devices, or the internet.

1.9 The elements of this vision which are not completely met in today's radio market are the wide range of UK-wide commercial stations, the plurality of provision of UK-wide and nations radio which meets public purposes, a subscription radio sector and the wide range of community radio services.

The public purposes of radio

1.10 Our initial research, published with phase 1 of this review, suggested that audiences are broadly satisfied with the radio they get now. But given the extra options now becoming available (e.g. iPods) many listeners, particularly the younger ones, believe that radio needs to adapt and innovate to cater for their needs in a digital age.

1.11 Our latest research (shown in full in Appendix A) identifies a number of purposes and characteristics of radio and asks listeners how important these are to them as consumers and as citizens.

1.12 In an ideal world all of these purposes and characteristics would be met by the market – and, indeed, many of them are met (weather reports, traffic reports, providing company etc). But there may be some things which the market would either

not deliver at all, or not deliver in sufficient quantity and so intervention may be required to deliver them – these we define as the public purposes of radio.

- 1.13 The Green Paper on the future of the BBC set out a range of public purposes for the BBC, across all of its services. The purposes and characteristics our research has identified can be mapped onto these public purposes to derive a set of public purposes for radio as a whole. Together with the requirements on community radio to provide social gain, we believe these provide a comprehensive set of public purposes for which intervention may be required:
- Sustaining citizenship and civil society
 - Promoting education and learning
 - Stimulating creativity and cultural excellence
 - Representing the UK, its nations, regions and communities
 - Bringing the UK to the world and the world to the UK
 - Providing social gain
- 1.14 The emphasis within each of these general public purposes for radio will be different from other media and different elements of each public purpose will be met by different radio sectors – BBC, commercial, community.
- 1.15 It is also worth noting that in addition to providing consumer benefits, the radio industry makes a significant contribution to the creative economy in the UK and that this role will continue to be important in the future.

Actions needed to make the strategic framework possible

- 1.16 The radio industry itself has begun to take advantage of these opportunities and will need to continue to innovate and adapt if it is to make the most of the opportunities offered by this strategy, but there are some specific things that Ofcom and Government need to do to facilitate this framework. (Note: the VHF Band III spectrum issues are considered in more detail in a separate document published alongside this report: *Radio – Licensing policy for VHF Band III, sub-band 3*.)

a. The regulation of Formats and localness

- So as to regulate in the least intrusive way while protecting the interests of citizens, we confirm the move from the regulation of inputs to the regulation of outputs.
 - We provide a final set of Localness Guidelines, (to comply with section 314 of the Communications Act 2003) which have been amended following consultation (principally around the suggestion that a local journalist should be present for all hours the station broadcasts local news).
 - We confirm that we will ensure compliance via a mix of responding to complaints, content sampling and a Public File, maintained by the station.
 - To provide clarity for stations we set out, for consultation, the process by which Ofcom will consider requests for Format changes for local commercial radio stations. This will apply in the short to medium-term. However, we note that, in the longer term, as competition increases and when digital radio is listened to by the vast majority of the population,

the need for Formats for local stations to specify the type of music they must play may diminish.

- Localness on digital radio is currently primarily ensured because many of the stations carried on local DAB multiplexes also have analogue licences and so are bound by analogue regulation (some digital-only services offer, or are committed to offer, local material). If and when simulcasting of these stations ends, there will be little requirement on them to broadcast local material. (Indeed there may come a stage when the majority of listening to a station is on digital platforms and it is no longer in that station's financial interests to maintain its analogue licence.) We recommend that the Government considers, in due course, what statutory provisions may be required, if any, for digital radio to ensure the continued provision of local material when simulcasting ends.

b. Plurality of provision of radio's public purposes (A PSP?)

- In Ofcom's Review of Public Service Television, we suggested that the plurality of provision of public service broadcasting would remain important in the digital age and that the provision of public service programming should not become the sole domain of the BBC. We suggested that such programming could continue to be provided by Channel 4 (although the broadcaster may need some form of public funding in the future to maintain its public service remit), but we also floated the idea of a Public Service Publisher, which would commission content not just for television but for emerging multimedia platforms.
- In radio, we recognise the lack of plurality in the provision of programming which meets all of the public purposes we identify, particularly the purpose of sustaining citizenship and civil society.
- We hope the release of more spectrum will allow the market to provide that plurality of services which meet the public purposes of radio and competition for the BBC in all relevant genres. However, if the market does not deliver, we recommend that Government considers the case for an additional publicly-funded radio broadcaster, as part of the consideration of the multimedia Public Service Publisher.
- This could be relevant both at the UK-wide level and in the provision of national services for Scotland, Wales and Northern Ireland.

c. The BBC

- Ofcom supports the existence of a strong independent BBC and welcomes the measures proposed by the Green Paper regarding:
 - the issuing of service licences, and
 - the proposals for Market Impact Assessments.
- However, Ofcom has recommended to Government that the Market Impact Assessments should be carried out by Ofcom and should apply to significant changes to existing services as well as new services.
- Ofcom also recommended to Government that we should be given ex-ante competition powers over the BBC, in a limited, clearly defined set of circumstances.
- We welcome the BBC's proposed consultation on providing commercial access to its radio archive.

d. Licensing policy

- Ofcom will continue to license local commercial FM stations and analogue community stations, but the amount of capacity available within the FM spectrum is very limited.
- Ofcom will look to create opportunities for more stations to offer their listeners the benefits of digital radio (ease of tuning, extra functionality such as pause and rewind, data and multimedia services and clear reception) in ways they want to receive it (such as portable and mobile receivers). We are not, at this stage, proposing a programme of Digital Switch-over for radio, akin to that in television. But we recognise the benefits of stations having the opportunity to broadcast digitally – but there is no automatic right for all existing services to have a migration path to digital.
- Ofcom is proposing, subject to consultation, to allocate 3 blocks of VHF Band III spectrum to local multiplexes on the DAB platform, to fill-in the gaps in existing coverage to ensure every part of the UK has the opportunity for at least one local DAB multiplex. When this roll-out is complete, the number of existing local analogue services also broadcasting digitally could be as many as 190. All of the BBC's local and nations services should then be available on DAB. We propose to license this spectrum under the terms of the Broadcasting Act
- In making these proposals, we have taken full account of the opportunity cost of using spectrum for this purpose, and not giving full flexibility to the market. We think the public policy benefits justify the choice.
- We do not believe that DAB, either in VHF Band III or in L Band is suitable to provide a digital migration path for all existing analogue stations. Ofcom will therefore consider the technical options which may provide the opportunity for a digital migration path for those stations (commercial and community) and/or areas where DAB does not provide a viable option. One contender is DRM (Digital Radio Mondiale) which could operate on Medium Wave spectrum (currently used for AM radio) or in the longer term on VHF Band II (currently used for FM radio).
- Space for broadcasting in Medium Wave is scarce. In the main the only demand for further analogue medium wave licences to be advertised is from stations wishing to provide services offering very large scale coverage. But due to the constraints of existing usage of medium wave spectrum, licences of such scale are not a practical option. Medium Wave spectrum could be required to provide a digital migration path for small commercial and community stations using DRM. Ofcom considers that there should be no further licensing of commercial stations on Medium Wave given the long duration of the licences, and the risk of a potential conflict with use for DRM. Ofcom will not therefore license any further Medium Wave commercial stations for the time being, although we may license more community stations on Medium Wave as they are small scale and limited to 5 year licences.
- Ofcom considers that, at some stage, it will be appropriate for the simulcasting of services (both local and UK-wide) on analogue and digital platforms to end. This should not happen until the vast majority of listeners are equipped to receive digital radio in the manner in which they currently receive analogue radio (such as on portable and mobile receivers), and only after a full analysis has been carried-out.
- To provide more choice for as many consumers as possible, and to provide those services which may only be viable at a UK-wide level, Ofcom proposes, subject to consultation, to allocate one block of spectrum in VHF Band III to provide an additional UK-wide multiplex. This spectrum is made available to provide more sound services as well as the opportunity for innovative multimedia services. In

order to secure a variety of broadcasting policy objectives we propose to award this multiplex as a Broadcasting Act licence.

- DAB is not generally suitable for community radio, given its multiplexed nature and so alternatives may be required. These could be digital (e.g. DRM) or analogue. In time, additional capacity could become available for these services through an end to the simulcasting of services (both local and UK-wide) on analogue and digital platforms, by switching off the analogue service, once the vast majority of listeners are equipped to receive those services on portable and mobile digital radio platforms. A full cost benefit analysis would be carried out before a decision was taken on this issue.
- There are many other commercial opportunities for radio beyond those discussed here. For example, Ofcom's programme of spectrum auctions should allow new services and networks to be developed, using L-Band and other frequencies. This programme will give as much flexibility as possible to the market to decide on technologies and services. There may well be opportunities to develop new data and multimedia services, or further sound radio services, whether free-to-air or by subscription (which our research shows may be popular).
- We confirm our proposal to move from a minimum bit-rate requirement to a co-regulatory approach to maintaining the quality of sound services

Question for consultation

1.17 We would welcome views by **11 January 2006** on the following question:

Do you agree with the proposed procedure and considerations for dealing with requests for Format changes for analogue commercial local radio stations?

1.18 The accompanying document *Radio – Licensing policy for VHF Band III, sub-band 3* also poses a question, for consultation, about the licensing of VHF Band III spectrum.

Section 2

Introduction

- 2.1 The way that people listen to radio, and what they listen to, is changing. New platforms and devices offer more choice and the competition for listeners' attention from other devices, such as iPods, is increasing. These changes offer many exciting new opportunities, but the radio industry will need to innovate and adapt to be able to take advantage of these changes and to remain relevant to listeners' needs.
- 2.2 Ofcom's remit in the radio market is limited to certain areas:
- Ofcom licenses analogue (AM and FM) and digital (DAB and digital TV) radio services in the UK in the commercial and community sectors and regulates content on those services (although licensing and regulation differ by platform);
 - Ofcom does not regulate BBC radio services, with the exception of dealing with certain categories of complaint; and
 - Ofcom does not license internet radio services or regulate content on those services.
- 2.3 Phase 1 of Radio – preparing for the future made proposals about the development of digital radio and the provision of localness on commercial radio and asked whether there might be a set of public purposes for radio in the 21st century.
- 2.4 This report sets out our conclusions on those issues and presents Ofcom's framework for the future of radio regulation in the UK with a view of what sort of radio services listeners might be able to expect in ten to fifteen years time.
- 2.5 This vision of the future is grounded in Ofcom's duties and principles. It is based on what listeners say matters to them as consumers and as citizens, and founded in a belief that, wherever possible, the market should provide for consumers' needs.
- 2.6 However we believe that the market does not, and cannot, provide everything that consumers and citizens demand of radio services in the UK, and so intervention in the market will still be needed to ensure the appropriate provision of certain types of output and certain key characteristics.
- 2.7 Ofcom's role in the radio sector is to put in place the conditions to allow the market to deliver what consumers and citizens want from radio, while protecting the provision of those things which the market itself might not deliver in sufficient quantity or quality, with as little intervention as possible. We set out here how we see the role of each sector developing within the overall radio market and suggest what needs to be done to achieve the vision.
- 2.8 Finally, we set out our conclusions on the proposals we made in Phase 1 around the future licensing of DAB and the regulation of local commercial radio.

Section 3

The radio industry today

The development of radio in the UK

- 3.1 The UK radio market today is a product of over 80 years of radio broadcasting in the UK and 30 years of commercial radio broadcasting. Like television, radio broadcasts a mix of public services and commercial services, but the way that radio has developed in the UK is very different from television.
- 3.2 Competition in television in the UK existed almost from the start. From its small beginnings in 1936, BBC television re-launched in 1946 after the war, but it did not make an impact on the mass market until the Queen's coronation in 1953. Only two years after that, ITV was launched. The roll-out of television across the country of the BBC's single channel was broadly in line with that of ITV's single channel. While ITV was, strictly speaking, a regional federation of different channels with different owners, most of the programming was networked. The spend of both ITV and BBC Television was broadly matched and the resulting duopoly was generally regarded as serving the British public well. Despite their different funding mechanisms, both the BBC and ITV had similar remits and delivered high quality programming across a broad range of genres to mass audiences.
- 3.3 The launch of BBC 2 in 1964 and Channel 4 in 1982 replicated this duopoly for smaller channels, allowing BBC 1 and ITV to serve a mass market and BBC 2 and Channel 4 to cater for more minority audiences. It was only when multichannel television launched in 1988 that this picture began to change and, even then, the change was gradual.
- 3.4 The picture in radio was very different. The BBC had a monopoly in the radio market for over 50 years. When competition did arrive it was initially only at a local level (where the BBC was also present in the market). The aim was to provide something different from the UK-wide programming that the BBC provided and to allow a number of new entrants, aiming to replicate the success of the early years of the regionally owned ITV. The local commercial stations were all locally – and separately - owned and operated and no programme sharing was allowed, other than for the UK-wide news bulletins from IRN. From the start, these commercial local stations faced competition from four BBC UK-wide radio networks and a string of BBC local radio stations. Moreover, unlike many other countries, commercial radio arrived many years after commercial television. As a result, it found it much harder to make an impact on the advertising market than if it had been in existence before television.
- 3.5 Despite these disadvantages, the commercial stations were popular. Listeners liked the fresh approach and the localness they provided. However, due to a number of factors - their much smaller size compared to the UK-wide networks, fragmented local ownership, lack of a UK-wide outlet, lack of a portfolio of stations and links with television to allow career progression for staff and the cross-promotion of services, and the difficulties of breaking into the advertising market (particularly as it was launched during a recession) - commercial radio struggled to make money in the early years.
- 3.6 Meanwhile, the BBC with its more secure funding base, could afford to invest in radio. While, arguably, it may not have had the impact of television, the BBC could reach audiences much more cost effectively with radio than with television. It

therefore, quite logically, allocated what it regarded as an appropriate proportion of its total resources to radio, to ensure that it was serving all licence payers as effectively as possible.

- 3.7 However, while in television this allocation resulted in a fairly level playing field with ITV and Channel 4, in radio, the BBC's spend on each of its radio stations far exceeded that of each commercial radio station. The commercial radio sector found it hard to compete for talent, both in purely financial terms and in the way that the BBC could offer career progression and deals across its radio and television networks.
- 3.8 As further competition arrived in commercial radio it was largely focused, for technical as well as legislative reasons, on providing more local stations. While the Radio Authority had a duty to ensure that these new stations extended the range and choice of local commercial radio stations available to listeners, particularly in areas which already had commercial stations, the effect was largely that the audience for commercial stations was spread across a larger number of commercial stations. The total advertising pot did not grow as fast as the number of stations and so the funding for individual commercial stations in general declined.
- 3.9 Despite this, and perhaps because of listener demand for local programming, local commercial radio has generally been a success, although in the past couple of years its audiences have been slipping.
- 3.10 The advent of UK-wide commercial radio stations in the early 1990s did not perhaps make the impact anticipated by some. By that time, most listening was on the FM band, which offered much better sound quality and less interference than Medium Wave.) Four of the BBC's five UK-wide networks and all of its local stations are broadcast on FM. However, there was enough FM spectrum for only one UK-wide commercial station and the legislation required it to broadcast music other than pop music. This licence was awarded to Classic FM. The other two stations were licensed on the much less attractive medium wave (AM) band. One of these was required, under the legislation, to broadcast at least 50% speech (this licence is now held by talkSPORT), while the third UK-wide licence had no statutory restrictions as regards its format (this is held by Virgin Radio). As a result of these restrictions, while the UK-wide commercial stations have been relatively successful, commercial radio remains primarily a local medium in the analogue world.
- 3.11 The result of this development has been an analogue radio market which consists of:
- a well-funded, successful public sector UK-wide portfolio of stations, offering a wide range of output and local speech-based stations;
 - a large number of local commercial stations, mainly focused on mainstream music output, often successful in their own areas (although many smaller stations struggle financially);
 - three UK-wide commercial stations, two of which are required by legislation to broadcast certain types of output and two of which do not broadcast on the more popular FM waveband; and
 - an emerging community radio sector with the goals of social gain and community access.

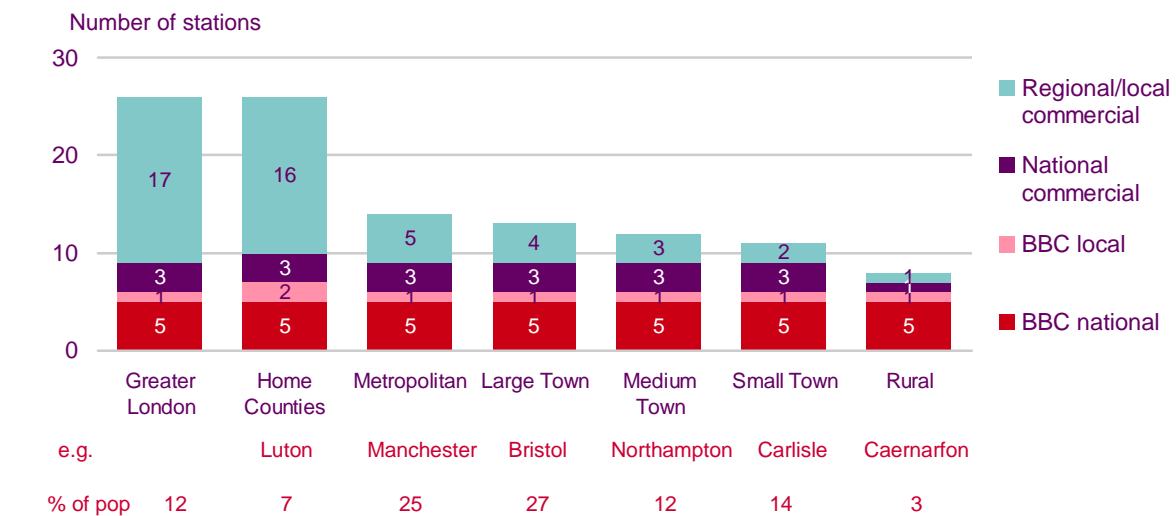
The advent of digital radio

- 3.12 The BBC first launched digital audio broadcasting services (known as T-DAB or more commonly as DAB digital radio) in 1995 and now offers 11 UK-wide digital radio stations (including five only available nationally on digital and the World Service).
- 3.13 Since then commercial operators have also made significant investments in digital radio. A commercial multiplex licence covering the whole of Great Britain (a frequency for Northern Ireland was not available) was awarded to Digital One in 1998. Digital One launched its first commercial services in 1999 and now offers eight services, including five available only on digital. Local DAB commercial services are now available from 46 local DAB digital radio multiplexes around the UK. Digital versions of the relevant BBC Local Radio or nations' services are also carried on the appropriate local commercial multiplex.
- 3.14 In addition, a large number of radio services are now available on all digital television platforms and the internet, and are gaining a significant number of listeners.

How much choice do listeners have?

a. Analogue radio

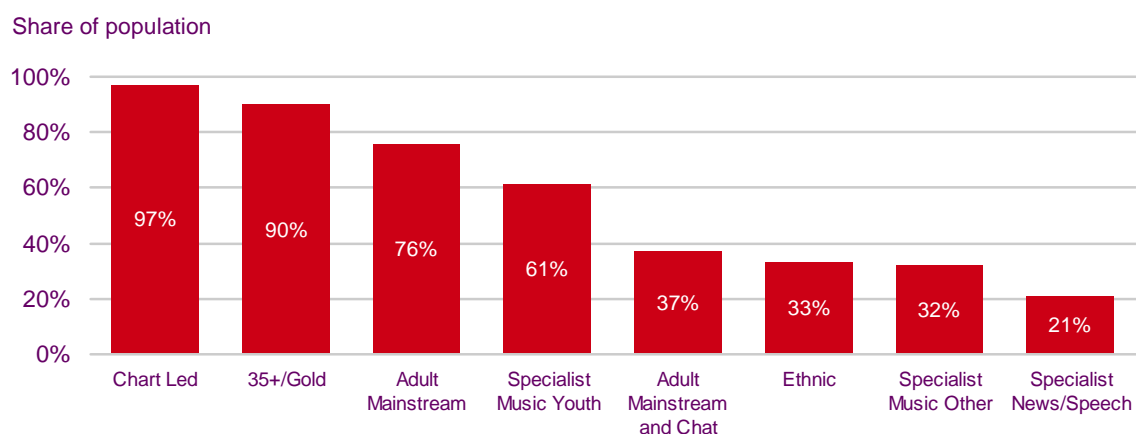
- 3.15 There are 326 full-time analogue radio stations broadcasting in the UK (excluding RSLs and pilot community stations). The increase in the number of stations over recent years has allowed for the launch of stations offering more niche formats and for stations which can provide more localised programming to smaller areas than was previously available. As community radio becomes more widespread over the next couple of years, analogue choice in some areas will increase further.
- 3.16 The number of analogue stations from which listeners can choose depends upon where they live in the UK. Listeners in Greater London and the Home Counties currently have the greatest choice of stations, at 26 (figure 1). Rural areas, such as Caernarfon, have the least choice – typically around eight stations, with one UK-wide commercial and one local commercial station available, in addition to the BBC. This pattern was determined by licensing policy and commercial reality – there is far higher demand to run services in metropolitan areas than there is in rural areas.
- 3.17 Commercial radio does not have genres in the same way as TV, but stations can be grouped into one of a number of styles, although these can only be broad-brush categorisations. Each station's Format (which forms a part of its licence) defines the exact character of the service and the supporting detail (which may, for example, include specific programmes that fall into a different style).

Figure 1: Illustrative availability of choice of analogue stations by area

Source: RAJAR / Ofcom

- 3.18 There is little duplication of formats in individual analogue markets. This is largely due to one of the statutory requirements that licences are awarded with regard to the extent that the choice of services available in the area is broadened. Where there is duplication, it tends to be local Chart Led Mainstream (on FM) or 35+/Gold (often on AM) services competing with a larger station of the same format from the nearest big city.
- 3.19 Where Chart Led Mainstream and 35+/Gold stations were already available (a legacy of original ILR stations splitting frequencies in the late 80s / early 90s), new entrants to the market – whether serving a smaller area within an existing licence or a regional station – have tended to adopt the Adult Mainstream style.
- 3.20 There is not a direct correlation between the number of stations of a particular style and the availability of such stations (figure 2) – e.g. even though there are more Adult Mainstream stations than any other style, they only cover around 76% of the population, as they are largely either regional or small town stations. Overall, the largest number of local analogue stations (52%) can be classified as Adult Mainstream, with Chart Led and 35+ / Gold stations being the next most common.
- 3.21 UK-wide analogue radio stations and brands provide services which are listened-to across a wide range of demographics. In very general terms, the BBC stations tend to have a higher proportion of ABC1 and older listeners than commercial services, while both digital and analogue commercial brands tend to have younger listeners.

Figure 2: Population coverage of different analogue radio styles



Source: Ofcom

b. DAB Digital Radio

3.22 The BBC's UK-wide DAB multiplex carries simulcasts of its five analogue network stations as well as five digital-only UK-wide services and the BBC World Service. These services are also carried on the internet and digital television platforms. The BBC has reserved capacity on all 46 local commercial DAB multiplexes and uses this to offer the relevant local or nations' stations. This allows the BBC to broadcast 32 of its local and nations' services on DAB – some stations are carried on more than one multiplex.

3.23 Of the 172 commercial radio stations broadcasting on DAB digital radio:

- 119 are simulcasts of existing analogue local stations broadcasting only within their existing analogue area (e.g. BRMB)
- 10 are existing analogue stations broadcasting to their existing area and also to new areas on DAB to create a quasi-national network (e.g. Kiss)
- 18 are only available on digital and broadcast to more than one local multiplex area to create a quasi-national network (e.g. The Arrow)
- 17 are only available on digital and broadcast on a single local multiplex only (e.g. Radio Acen)
- 5 are digital-only stations broadcasting nationally (Oneword, Primetime, Core, Life and Planet Rock)

