

The Future of Radio: the next phase

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The Future of Radio

Context

Scope of this review

Programme diversity on commercial radio

Local programming on commercial radio

Commercial radio ownership

Community radio

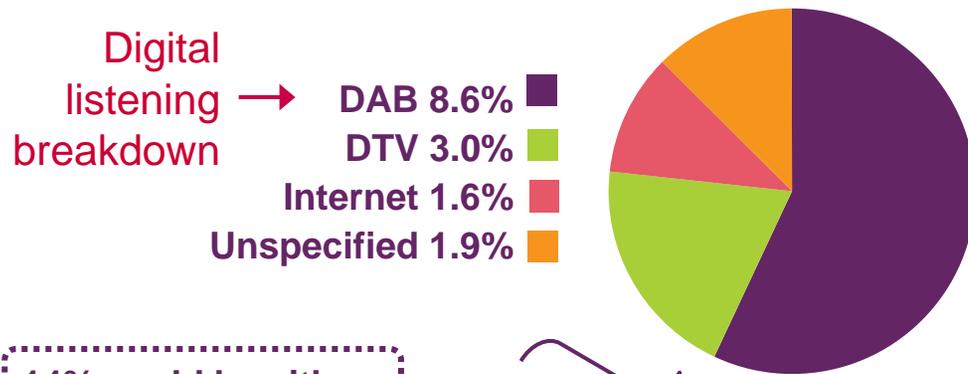
Digital Radio Working Group

Next steps



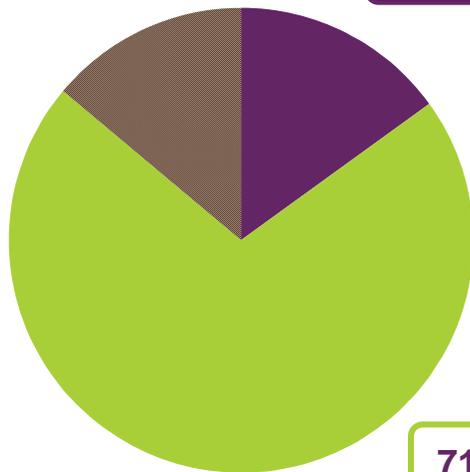
Context

Digital listening is growing and listeners have more choice



14% could be either

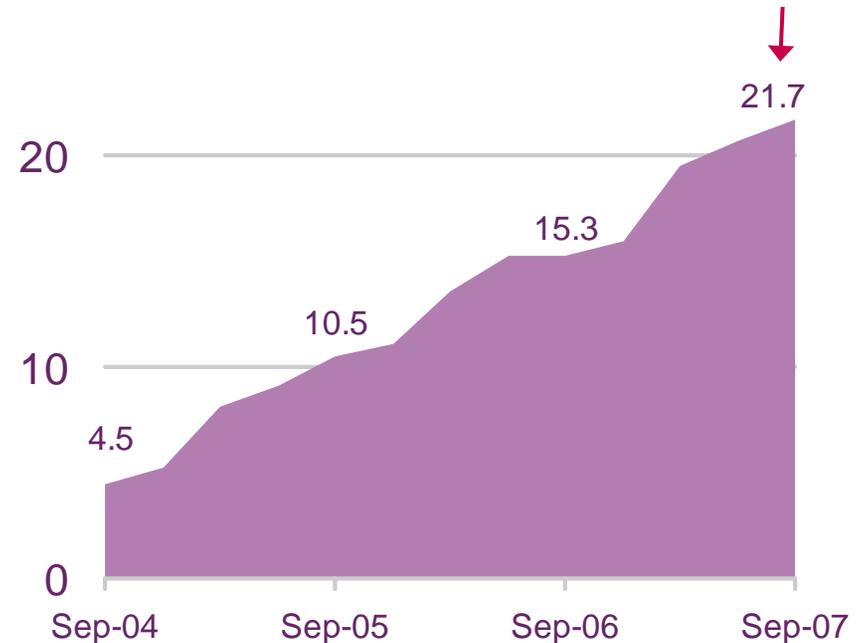
15% digital



71% analogue

15% digital listening (Q3 07)

DAB take up reaches 22% in September this year



The commercial radio industry is facing challenges

- Increasing competition from digital platforms and other media
- Revenues declining
 - 40% of stations lose money
 - smallest are hit hardest
 - some early signs of recovery
- Dual transmission costs of analogue and digital

Public purposes of radio remain important: localness valued

The community sector is growing rapidly

- 150 licences issued and more to come
- Around 85 stations already on air
 - serving a wide variety of communities
- Detailed statutory provisions
- Time to take stock



Scope of this review

The Future of Radio consultation

- Relaxing regulation of analogue commercial radio
- Community radio framework
- Approach to digital transition



Delivering programme diversity on commercial radio

Delivering programme diversity

- Suggested detailed requirements removed from analogue Formats but Character of Service retained
- We will implement this proposal
- Original proposal to implement when digital take-up higher
- Now believe changes would maintain sufficient diversity and so should be implemented as soon as possible
- Each change to be discussed with licensee before implementation



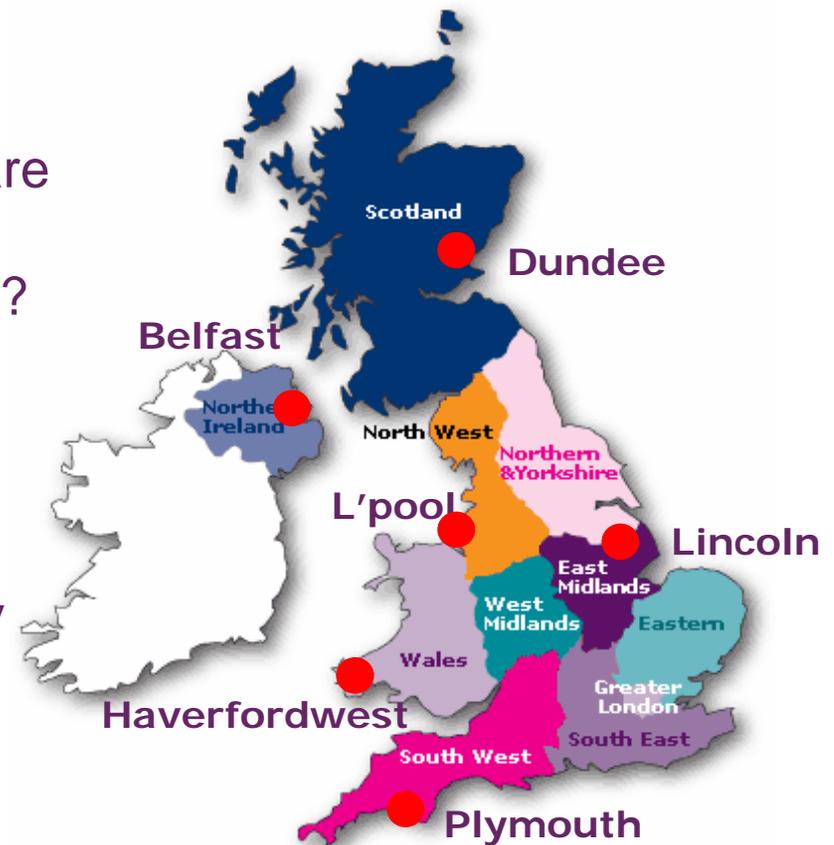
Local programming on commercial radio

Localness

- Only 4 years since Parliament debated radio and gave Ofcom new duties with regard to localness
- But we recognise providing local material and requiring programmes to be locally made is expensive
- Currently amount of local material and local production differs for each station - often smallest stations have the highest obligations
- We need to strike the right balance between financial viability for stations and safeguarding public interest and Parliament's wishes

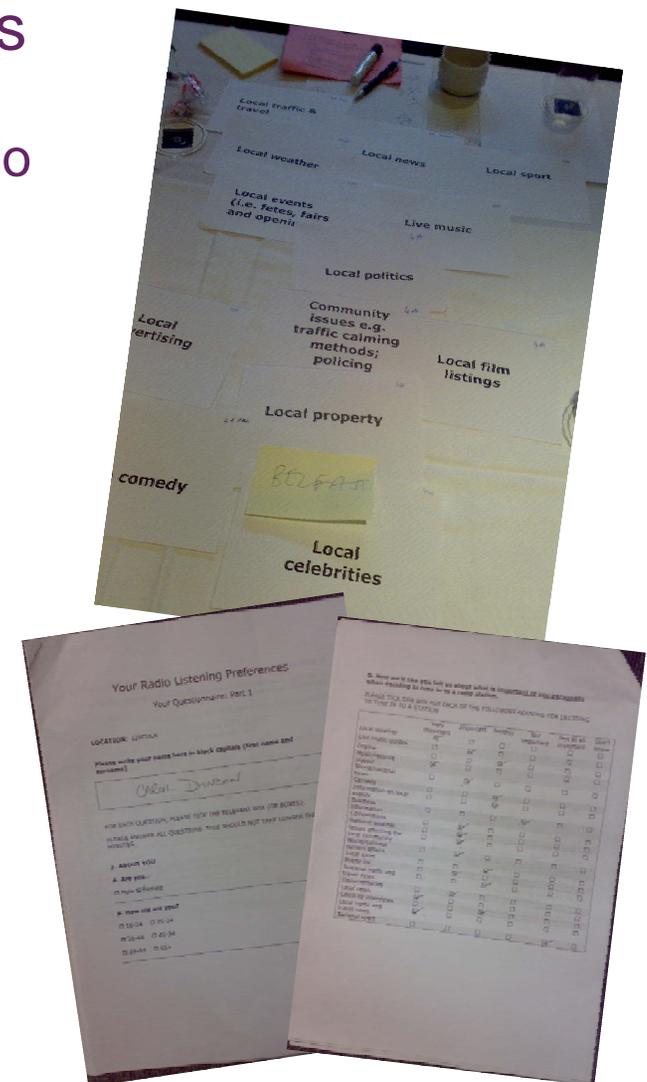
Localness research – deliberative workshops

- **Aims of the research:**
 - **Localness on local radio:**
 - How is the local area defined?
 - Which programming elements are most important?
 - When should they be broadcast?
 - Where should local material be made?
 - **Future regulatory possibilities:**
 - Reactions to different regulatory scenarios for local commercial analogue radio



Key findings – locally-made programmes

- Consensus about what local commercial radio does best:
 - ‘core, functional’ local information
 - ‘human, engaging’ local content
 - music-listeners indifferent to where broadcast from
 - for others, localness of the presenter and where broadcasting from a unique benefit
 - adds to listening experience and sense of local identity
- Strong consensus that quality and relevance enhanced by being locally-made by local people



Key findings – concern at proposed reduction

- Most concerned at possible reduction in localness
- Majority wanted the status quo, but relaxed this view when explained it may not be sustainable
- None of suggested alternatives made up for loss of localness
- Replacement of local presenters with high-profile networked presenter largely rejected as already on syndicated commercial or BBC national services - not seen as an adequate replacement for the localness lost



Key findings – when local programming matters most

- Basic requirement: local material and locally-made programmes providing core, functional local content at times they most need it

Time	Importance
6 a.m. - 10 a.m.	HIGH
10 a.m. – 1 p.m.	MEDIUM
1 p.m. – 4 p.m.	MEDIUM
4 p.m. – 7 p.m.	HIGH
7 p.m. – 10 p.m.	LOW
10 p.m. – 1 a.m.	LOW
1 a.m. – 6 a.m.	LOW

- Research confirms importance of locally-made programmes containing local material throughout most of daytime
- Further strengthened by summer floods and debate about trust in broadcasting



Revised proposal for localness guidance **FOR CONSULTATION**

FM stations

- *Min. 10 hrs/day of locally-made programming during weekday daytimes (which must include breakfast)*
- *Min. 4 hrs/day during daytime at weekends*
- *Smaller stations (<250k) may request co-location and sharing of 6 of the 10 hrs on a sub-regional basis*

AM stations

- *Min. 4 hrs/day of locally-made programming,*
- *At least 10 hrs during weekday daytimes (including the 4 hrs of locally-made programming) should be produced in the nation to which the station broadcasts.*

No station should be required to produce more locally-made programming or more local material than at present.

Localness – benefits for industry

- Revised localness guidance aims to strike balance between financial pressures faced by industry and safeguarding interests of listeners
- Allows some networked programming in weekday daytime (outside breakfast)
- Potential for over 100 smaller stations to co-locate
- Total savings could be between £9.4m and £11.7m
- For each of Scotland, Wales and Northern Ireland, the majority of daytime programming would still be produced in that nation.

Timing of implementation

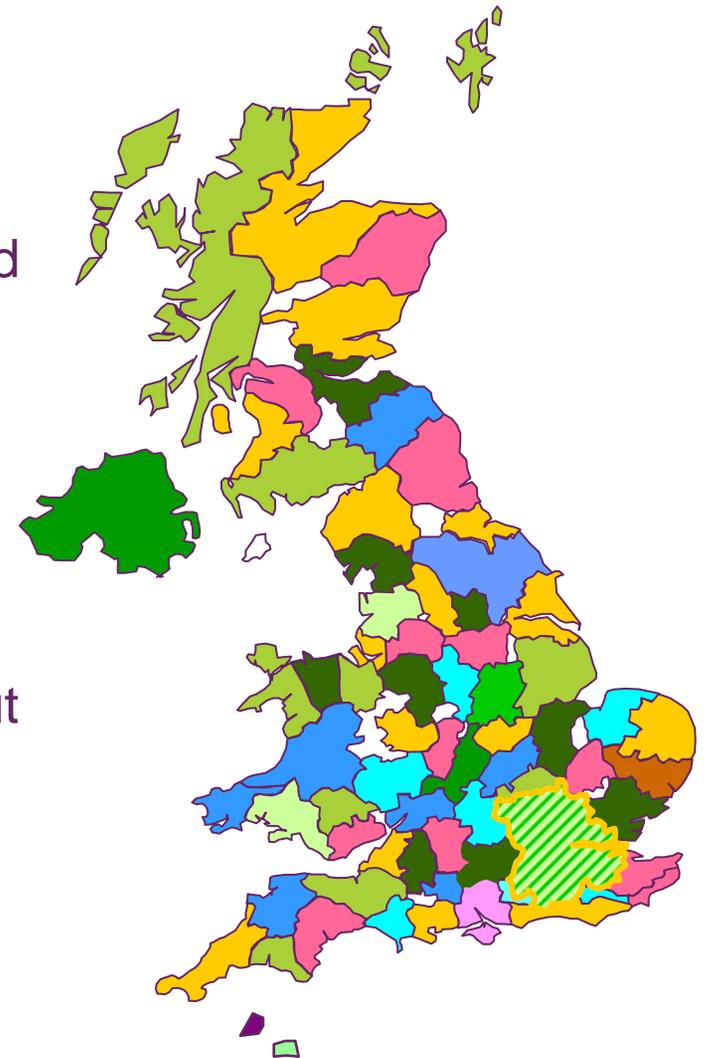
- Original proposal linked changes to digital take-up
- As localness will be protected at times listeners expect it, we now propose to implement changes as soon as possible



Commercial radio ownership rules

Commercial radio ownership rules

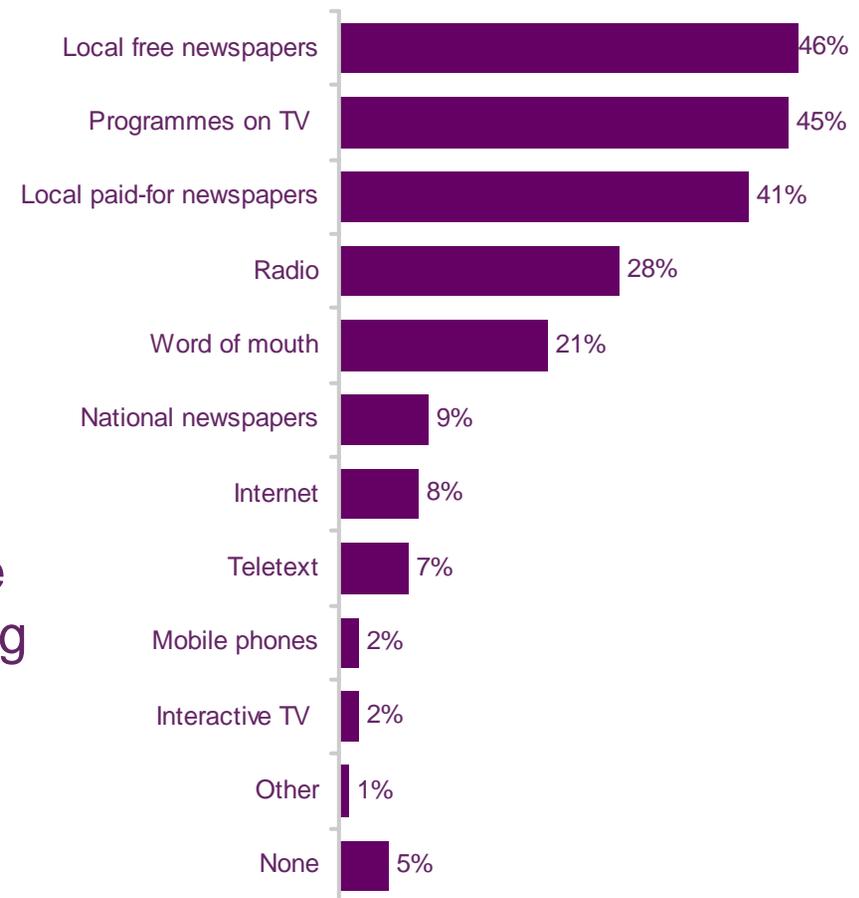
- In April, we suggested:
 - Single simplified ownership system based on DAB areas
 - Simplified local DAB multiplex rules
 - Maintenance of national DAB rule
 - Cross-media ownership rules retained but should look across analogue and digital radio as a single radio platform
- Industry argued for abolition of platform-specific rules



Commercial radio ownership rules

- Importance of radio news declining, but still important at both national and local levels
- News a core element of local radio, but other elements important too - debates on community issues, coverage of local events, phone-ins
- But further consolidation could be in listeners' interests by increasing ability of industry to invest in programming

Q: Which of the following do you regularly use, if any, for LOCAL news and information about where you live,?



Commercial radio ownership rules

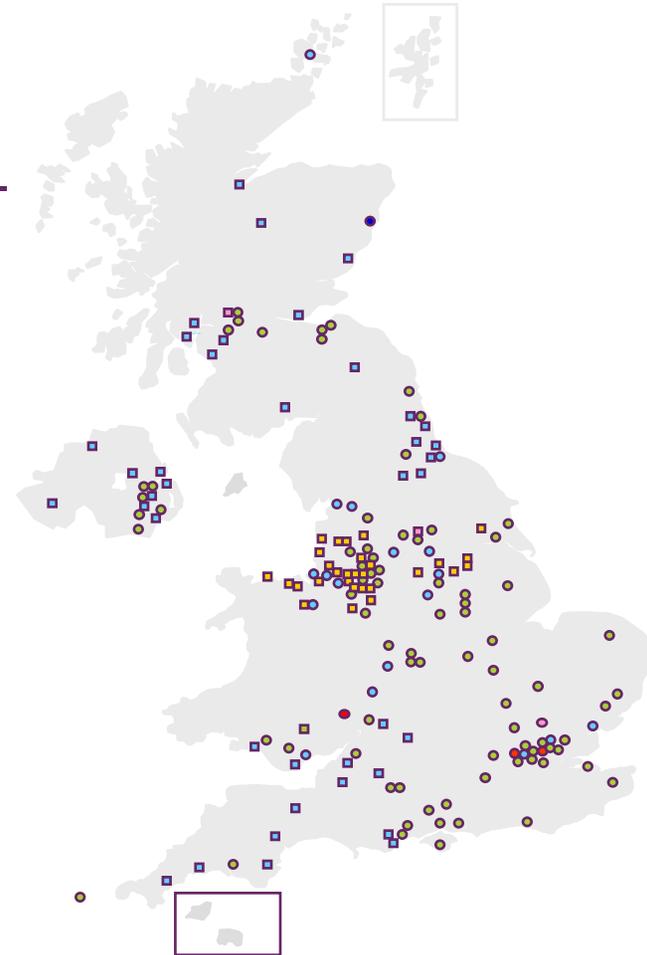
- We are in favour of simplifying rules, but believe plurality still important
- Suggestions to Government:
 - Consider significantly simplifying analogue & DAB radio services rules, allowing further consolidation while protecting plurality
 - Consider simplifying or abolishing DAB local multiplex ownership rule
 - Retain national multiplex rule
 - Retain cross-media ownership rules but apply across analogue and digital radio



Community radio

Community radio

- We suggested community radio characteristics should remain unchanged - but detailed selection criteria should be simplified to encourage applications
- General lack of enthusiasm for major changes and agreement that unique nature of community radio should not be diluted
- On funding limits, ownership, and economic impact assessments, too early for any firm conclusions. We suggest a further review in two years



Community radio

- But in some areas, demand for early change.
- Therefore suggestions to Government in two main areas:
 - statutory selection criteria should be simplified to give greater flexibility
 - CR licences should be eligible to be extended for up to a further 5 years, subject to the licensee meeting specified requirements.
- In addition, we will recognise financial value of volunteer time



Digital Radio Working Group

A new approach to licensing and use of spectrum

- We said in April:
 - Not yet time to consider analogue radio switch-off date
 - Spectrum could be used for other things
 - Licensing framework makes it difficult to free-up spectrum
- We proposed: FM review in 2012 and AM review in 2009
 - Some in industry called for an earlier review

Digital Radio Working Group

- Set up by DCMS, and asked to consider:
 - conditions that would need to be achieved before digital platforms could become the predominant means of delivering radio
 - current barriers to the growth of digital radio
 - possible remedies to those barriers
- To report to the Secretary of State within 12 months

Ofcom will play major role in the DRWG, alongside broadcasters, manufacturers, transmission providers and consumer groups

Digital Radio Working Group

- Need to specifically review the following:
 - benefits to the UK economy
 - technology and spectrum options
 - analysis of current market state
 - take up of digital radio technologies outside UK
 - engagement with manufacturers (in particular, vehicle)
 - possible legislative changes

Re-advertising licences as they expire

- For some things we cannot wait for the outcome of the DRWG to be implemented – e.g. existing licences begin to expire shortly
- Under the current process we could re-advertise these for a further 12 years, but this would limit future flexibility to do other things with the spectrum when the time is right
- So to maximise future flexibility we proposed re-advertised licences should be shorter, ending in 2015, by which time new legislation should be in place
- Some argued that a new licence beginning in, say, 2012 would be for only 3 years and so not be viable
- So we will re-advertise all national and local commercial radio licences for 5 years or until December 2015, whichever is longer



Next steps

Next steps

- Further short consultation on revised proposals:
 - localness guidelines
 - mono and stereo broadcasting on DAB
 - *responses required by **21 December 2007***
- Statement, then letter to all analogue licensees within three months regarding simplification of formats and locally-made programmes
- Talk to community sector about implementing volunteer time proposals
- Work with Government on changes to the Community Radio legislation and the commercial radio ownership rules