

**Public Policy Objectives for Media Content:**  
**RadioCentre combined submission to Ofcom's PSB Review and the**  
**Government's Convergence Think Tank**

**Background**

1. RadioCentre formed in July 2006 from the merger of the Radio Advertising Bureau (RAB) and the Commercial Radio Companies Association (CRCA). Its members consist of the overwhelming majority of UK Commercial Radio stations, who fund the organisation.
2. The role of RadioCentre is to maintain and build a strong and successful Commercial Radio industry - in terms of both listening hours and revenues. As such, RadioCentre operates in a number of areas including working with advertisers and their agencies, representing Commercial Radio companies to Government, Ofcom, copyright societies and other organisations concerned with radio, and working with stations themselves. RadioCentre also provides a forum for industry discussion, is a source of advice to members on all aspects of radio, jointly owns Radio Joint Audience Research Ltd (RAJAR) with the BBC, and includes copy clearance services for the industry through the Radio Advertising Clearance Centre (RACC).
3. RadioCentre submits this combined paper to Ofcom's PSB Review and the Convergence Think Tank (CTT) because both have raised questions about the suitability of existing legislation to ensure the continued delivery of public policy objectives for media content. The CTT's fourth call for evidence focuses on ensuring 'Universal Access to High Quality, Public Service Content in a Converged Environment'.

**The rationale for new legislation**

4. Ofcom's PSB review contains a proposal that a new Communications Act is needed by 2011 due to changes in the economics of television content production. At the same time, the Government's Convergence Think Tank (CTT), has been looking at the implications of technological change for future policy development in TV, radio, telecoms and online services.
5. We agree that new legislation is needed and believe that it should do the following:
  - Set objectives for media content and encourage flexibility and a light-touch in their delivery;
  - Establish a level playing field amongst different providers; and
  - Minimise the possibility of negative impacts arising from new state-funded interventions in content markets.
6. The broad, wide-reaching nature of these objectives means that a piecemeal approach cannot be taken to reforming communications legislation. State interventions in communications markets have cross-media implications, and we believe that it is imperative that high-level policy-making is conducted in the round rather than within individual media silos (although we obviously agree that lower-level regulatory changes can have single-sector focuses). We are also keen for Government, Ofcom and the BBC Trust to ensure that their work to deliver public policy objectives for media content is properly joined up.

**Setting objectives for media content and encourage flexibility and a light-touch in their delivery**

7. RadioCentre believes that legislation should state the overall objectives for individual media with regard to different types of content, and ensure that the benefits conferred on broadcast licensees are sufficient to support the delivery of these objectives.
8. We suggest the following objectives for radio, with a view to creating an industry which is free to serve the needs and interests of its listeners:
  - A wide range of services;

- Choice and competition in the market; and
  - The growth of a strong and viable commercial sector alongside the BBC.
9. Having established suitable objectives, legislation should grant Ofcom greater flexibility and discretion in determining how these objectives should be fulfilled, thus providing it with the power and flexibility to ensure that regulation keeps pace with developments in the communications market. We note that there are significant limits in what the regulator is able to implement itself as a consequence of its PSB Review, just as there were in its 2007 Future of Radio project. This situation should not be allowed to occur in the future.
  10. In turn, legislation should provide additional encouragements to Ofcom to fulfil policy objectives through co- and self-regulation, with a view to passing flexibility to broadcasters to adapt to changing listener expectations or new technological advances.
  11. The rationale for recommending this approach for legislation is the challenges faced by established sectors such as Commercial Radio stations in delivering policy objectives amidst a backdrop of rapid market change.
  12. 'The Big Listen', a three-phase survey of radio listeners undertaken by RadioCentre in 2007, suggested that Commercial Radio provides substantial benefits to listeners and consumers<sup>1</sup>. 91% of Phase 3 respondents agreed that "Radio is an important part of my life" and 64% of listeners believed they would spend more time with radio in the future, as high as the internet (65%). Satisfaction with the range of services available locally was high, with only 22% reporting insufficient choice in their area. The advertising-funding mechanism depended on by Commercial Radio also earned support, with over half of respondents agreeing that they sometimes find radio ads useful.
  13. Yet while The Big Listen suggested that radio retains its core appeal, there was also evidence that listeners recognised the potential for it to be used in new ways. Only 21% of people interviewed for Phase 2 of The Big Listen agreed that "Radio will always be the same". One way in which listeners expect radio to change is by becoming ever more portable and ubiquitous. 88% agreed that, in the future, "Radio should be available on as many devices as possible". Another likely shift is towards greater personalisation, driven by the demand for ever-increasing choice. This is reflected by the 85% of respondents to Phase 2 who said that they "like to have control over the selection of music that I listen to".
  14. Further challenges to the existing model for commercially-funded radio are apparent at the economic level, with Ofcom calculating that 40% of Commercial Radio stations were losing money in 2007<sup>2</sup>. Spectrum scarcity considerations have traditionally heightened the value of broadcasting licences to commercial operators and justified significant public service obligations. However, although broadcasting spectrum remains scarce, digitisation has the potential to increase dramatically its capacity and, in addition, spectrum access is no longer a prerequisite to the distribution of audio content, meaning that consumer demand is spread more thinly.
  15. The result of this is that Commercial Radio has been forced to support both old and new platforms in order to safeguard its reach, whilst advertising revenue is declining and costs are rising, squeezing margins.
  16. The impact of this squeeze on margins, which has also been experienced in other sectors, is felt particularly acutely by Commercial Radio because it is affected by three types of state intervention: the BBC, Community Radio and a prescriptive approach to licensing and regulation.

#### Establishing a level playing field amongst different providers

17. Convergence is undoubtedly creating increased choice and innovation for consumers, but it is also exposing a heightened need for joined-up policy making. Different media are increasingly

<sup>1</sup> The Big Listen Phase 3: Online survey at [www.thebiglisten.com](http://www.thebiglisten.com) (June 2007) promoted by a week-long on-air campaign across more than 200 Commercial Radio stations, administered by YouGov, with a total sample of 10,736 Commercial Radio listeners.

<sup>2</sup> Ofcom, 'The Future of Radio', April 2007, p. 37.

competing with each other for consumers' time as well as revenue, whilst operating under very different regulatory and legal frameworks. These differences are particularly acute between 'old' and 'new' media, the latter of whom experience considerably greater freedom in terms of both content and advertising regulation. These legal and regulatory disparities are compounded by differences in the institutional and funding structures possessed by individual providers.

18. We believe that legislative reform is needed to ensure that Government policy has a proportionate impact across all media. This should take the form of encouraging the likes of Ofcom to take joined-up regulatory approaches to different media in areas such as advertising and content regulation. We believe that this approach can be consistent with continuing to recognise that there are differences between media, both materially and in terms of audiences' expectations.

Minimising the potential for negative impact resulting from new state-supported intervention in content markets, such as the market for local content

19. RadioCentre believes that public policy approaches to media content should be underpinned by an understanding that the public interest is best served by healthy competition and a level playing field between the likes of the BBC and commercial operators, leading to a general raising of standards across the board.
20. We believe that new state-funded investments in content markets have a clear potential to upset this balance, creating market distortions which are to the ultimate detriment of public value. (By state-funding, we mean both direct funding and implicit or indirect subsidies). As such, we disagree that individual media providers should be given extra incentives to encourage them to expand their provision of online content, as Ofcom has proposed in its PSB consultation. RadioCentre believes that there is a likelihood of substantial market distortions arising from such an approach, unless the same encouragements are also available to other providers including Commercial Radio stations.
21. Similarly, RadioCentre is not actively seeking opportunities for media operators to access new sources of public funding in exchange for providing certain types of media content, since we are mindful of the already significant market impact of state intervention in UK media. If such a policy is pursued in the context of new legislation, then we believe that such funds must be tendered on a platform- and operator- agnostic basis and in such a way as to avoid distorting the market. In practice this would mean Commercial Radio operators being eligible to bid for funding if they wished. We urge Ofcom and Government to have a close regard to the likely cross-media market impact of its proposed changes to the institutional and funding mechanisms used to support television broadcasters.
22. The local content market is a particularly pertinent example of the dangers posed by new state-supported interventions. In the multi-platform age, there are substantial incentives for Commercial Radio companies to expand from their core positions as holders of local and regional radio licences into strong local cross-media businesses. Such expansion presents opportunities for revenue growth and more efficient deployment of resources, thus potentially safeguarding the long-term viability of the local Commercial Radio sector. The same incentives exist in the newspaper sector, and this is creating increasingly vibrant local media markets across the UK, albeit with often fragile revenue models underpinning them.
23. It is against this backdrop that RadioCentre was highly concerned to infer from Ofcom's PSB consultation that it has an interest in delivering "new entrants with new approaches and more local and multi-platform activity across all four nations, alongside a geographical spread of activity less focused on big cities". Ofcom provides no evidence as to why it believes this is needed, although its concern appears to be derived from discussions with audiences and anxiety about ITV regional programming.
24. We firmly reject this conclusion, which we believe disregards the substantial volume of local content which is already provided by the market, and urge policy-makers from Government, Ofcom and the BBC Trust to develop a joined up approach to this issue as a matter of some urgency. At present, we fear that inadvertent new public intervention may be on the brink of undermining the long-term viability of the UK's local commercial media markets.

25. It is for these reasons that RadioCentre opposes the introduction of BBC MyLocalNow, a new local video service shortly to be subjected to a Public Value Test by the BBC Trust, with an accompanying Market Impact Assessment to be undertaken by Ofcom. The BBC appears to believe that it has a responsibility to increase investment and extend its remit in this area, which we believe is owing to an incorrect interpretation of its role and responsibilities. If anything, the BBC Trust's recent impartiality report would appear to suggest that the BBC should focus on strengthening the editorial values of its existing nations and regions content, rather than creating new local content. We believe that MyLocalNow will inevitably reduce the audience for equivalent commercial services, thus threatening their future viability.
26. It is for similar reasons that RadioCentre also supports the retention of the safeguards which are designed to minimise the negative economic impact of new Community Radio licensing. Small Commercial Radio stations generally have very fragile business models, such that they would be unlikely to withstand direct competition from a rival provider of local radio advertising opportunities.

RadioCentre, June 2008

## **RadioCentre**

**77 Shaftesbury Avenue, London W1D 5DU**

**t: +44 (0) 20 7306 2603   f: +44 (0) 20 7306 2505   [www.radiocentre.org](http://www.radiocentre.org)**