

RadioCentre Response to Ofcom Draft Annual Plan 2013/14

1. Background

- 1.1. RadioCentre is the industry body for commercial radio. Formed in July 2006 from the merger of the Radio Advertising Bureau (RAB) and the Commercial Radio Companies Association (CRCA), RadioCentre's membership comprises the vast majority of UK commercial radio stations, who fund the organisation. RadioCentre is governed by a board of directors, representing a cross section of the industry, from the major commercial radio groups to small scale and independent stations.
- 1.2. The role of RadioCentre is to maintain and build a strong and successful commercial radio industry - in terms of both listening hours and revenues. 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.
- 1.3. 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).

2. Overview

- 2.1. We welcome the opportunity to respond to Ofcom's Draft Annual plan for 2013-14. We have in the past responded to each of the previous Draft Annual Plans, and note that Ofcom has always been considerate of the specific circumstances faced by the commercial radio industry, despite our issues being of relatively marginal prominence within these papers.
- 2.2. RadioCentre acknowledges the progress made by Ofcom in a number of areas over the past 12 months. As well as studies into the continued uptake of digital radio platforms and DAB coverage, Ofcom has had an important role in assisting Government on evaluating media plurality which has been invaluable when testing public interest on the major acquisitions within the radio market in 2012.
- 2.3. We appreciate that commitment to other areas of media policy, such as securing the optimal usage for spectrum for new technologies, are prioritised in the 2013-14 Ofcom Annual Plan. However, we would ask Ofcom to acknowledge that there are plans mentioned with regards to implementing public policy defined by Parliament, through the Communications Review process and digital radio programmes, which are of greater interest to commercial radio.

3. Digital Radio

- 3.1. With the Secretary of State due to make an in-principle decision in 2013 on whether to proceed towards a switchover, this is likely to be an important year for digital radio. RadioCentre is therefore pleased that Ofcom's Draft Annual Plan cites supporting the Government's digital radio plan as part of this year's work. However, we feel that it should be specific in highlighting the need to provide greater clarity on which stations will be required to switchover, should such a decision be announced.
- 3.2. Government has stated previously that it would not expect 'small stations' to switch to digital. It has indicated that it would define these as stations with a licensed area (on FM) that covers less than 40% of the population of the larger coverage areas (on a local DAB multiplex).
- 3.3. RadioCentre estimates that this could mean that around 140 of the smallest stations remain on FM after digital radio switchover (although these stations only represent around 5-10% of total commercial radio listening). We are looking for clarification to ensure that the smallest FM stations are adequately

informed and prepared for a switchover decision.

- 3.4 The Department of Media Culture and Sport (DCMS) has informed us recently that the proposed criteria which would set the threshold for local radio stations which may remain on FM after any future radio switchover is likely to be published alongside the forthcoming Communications White Paper. As it is Ofcom that will conduct this analysis and apply these criteria to the radio market, we believe it is important that this analysis is explicitly at the forefront of Ofcom's 2013 radio projects.

4. **Analogue radio licence terms**

- 4.1 RadioCentre has exchanged correspondence with Ofcom officials on a number of occasions since 2010 regarding the need to review its decision to offer analogue radio licences for 7 year terms (rather than the 12 years permitted by the legislation). We continue to believe that a 12 year licence term is self-evidently a much more viable business proposition for stations during the current severe economic difficulties facing SMEs.
- 4.2 We were informed by former Group Director, Content, International and Regulatory Development Chris Woolard in April 2012 that this issue was not included in the previous Annual Plan because Ofcom was awaiting further progress to be made with discussions between government and the radio sector around the future direction of DAB switchover policy, in addition to a Communications Bill Green Paper.
- 4.3 RadioCentre is confident that a signature of a Memorandum of Understanding (MoU) between broadcasters and Government which outlines future multiplex build-out in July last year, combined with the announcement that of a Communications White Paper in 2013 which will outline the criteria for stations eligible for digital switchover, should meet the criteria for Ofcom to revisit this issue.
- 4.4 As the initial decision to shorten licence terms was borne out of uncertainty over the timing of a digital switchover, we believe that Ofcom compiling a list of stations expected to switchover in line with DCMS direction should directly infer that stations not expected to switchover will be offered 12 year analogue terms once again. We would therefore expect this issue to be revisited in more detail in 2013.

5. **Community Radio**

- 5.1 Since community radio stations were first licenced in 2005 RadioCentre has consistently advocated that, if licensed and regulated appropriately, community radio is a force for good in the UK media as long as it does not undermine the diverse radio offering which already exists.
- 5.2 We note as part of the Draft Annual Plan that Ofcom will conduct a further round of community radio licensing in the next 12 months. Whilst we consider the current 230 community stations a valuable part of the local broadcasting ecology, we are concerned that this further allocation will bring added competition to smaller commercial radio stations that are already struggling for listeners and revenue in a harsh economic climate.
- 5.3 When allocating future community licences Ofcom should favour areas where there is an identifiable listenership being underserved by the current radio offering. In crowded marketplaces, adding subsidised community services would threaten the viability of local commercial stations which employ individuals from the local economy and are subject to higher operating costs.
- 5.4 RadioCentre is not aware of any detailed economic analysis that has been undertaken to consider the impact of community radio in attracting local advertising and/ or depressing local advertising rates. As we understand that further proposals for regulation of community radio will be published by DCMS in due course, we would expect Ofcom to undertake research into the current economic impact of

community stations before any further changes are made to the community radio market.

- 5.5 A clear separation should remain between commercial radio and community radio, in terms of how they are regulated and licensed in future. Ofcom should ensure that, as identified under The Community Radio Order 2004, when licensing community stations, they should remain hyper-local in output and not be in direct competition with commercial stations for audience.

6. **Spectrum**

- 6.1 The continuing work in licensing access to the radio spectrum undertaken by Ofcom is valued by RadioCentre's members. Commercial radio remains committed to tackling illegal broadcasting, which continues to blight many of our services, and we value Ofcom's critically important role in the on-going enforcement programme.
- 6.2 We also welcome the references in the Draft Annual Plan to securing Commonwealth Games 2014 spectrum and further investigation into the uses of white space technology, and would like further expansion of these areas to highlight how they will impact upon radio.
- 6.3 Commercial radio stations are regular and extensive users of spectrum for Programme Making and Special Events (PMSE). Radio stations currently obtain this spectrum in order to operate Wireless Microphones, In-Ear Monitors (IEMs), Talkback and Programme Links. We remind Ofcom that while it is clearly important to define spectrum demand for broadcasting in the scope of Commonwealth Games authorities and rights-holding broadcasters, these considerations should also be extended to include the activities of other broadcasters who may not have access to the coverage of the Games from within the venues.

7. **Conclusion**

- 7.1 RadioCentre acknowledges that Ofcom regulates a diverse industry with a fast moving range of issues; and therefore not every platform can be fully represented in its Annual Plan every year. We would however seek further clarification on certain issues important to commercial radio, in order to have appropriate assurances that Ofcom is dedicating significant resource to these matters.
- 7.2 Due to an impending Communications Bill White Paper and an expected announcement on digital switchover, we believe Ofcom will need to give a greater consideration to determining the switchover criterion for commercial radio stations (and its impact) than stated in the Annual Plan.
- 7.3 We continue to enjoy close contact with Ofcom officials, and look forward to strengthening these relationships over the coming year as Ofcom contributes to progressing the matters highlighted above. We would specifically welcome further discussions regarding how Ofcom will develop switchover criteria for commercial stations, and how it expects this will impact on the licence lengths of analogue only stations.

21 February 2013