



**Response to the public consultation on  
the third Ofcom review of Public Service Broadcasting –  
Public Service Content in a Connected Society**

**Spring 2015**

## 1. Overview

- 1.1 Public service broadcasting continues to be dominated in radio by the BBC, many of whose services are unique, such as much of Radio 4's speech-based service of short and long-form drama, comedy, documentary and news, or BBC Radio 3's mix of high-end classical, jazz and other experimental music genres.
- 1.2 As Ofcom notes, there are some services and content on other stations which can be described as having public service value, but there is the scope for more.
- 1.3 Similarly at the BBC, there is much greater scope for a wider and more diverse range of content which appeals to PSB audiences all around the UK.
- 1.4 Both the commercial sector and the public service sector should be encouraged, if not required, to commission content from a wider range of sources. The UK has a vibrant independent radio production sector, comprised of around 150 production companies. These companies, working with a range of clients in a number of different markets, can bring to both the BBC and commercial radio a far more vibrant mix of talent, stories, ideas and perspectives. They can also provide innovative formats and funding packages, enabling commercial networks to commission content with a higher budget.
- 1.5 RIG has recently carried out a business census<sup>1</sup> of the independent radio production sector, with the resulting data being analysed by Enders Analysis. We have reproduced here some of the figures for Ofcom's consideration.
- 1.6 We accept that much of Ofcom's PSB work is framed within the context of TV, but warmly welcome the inclusion of a section on radio. Any review of PSB and indeed any evaluation of the media market does need to take radio into full account. We have therefore sought to provide a radio-related aspect to several of the questions raised, for example on PSB in the nations and regions and the extent to which PSB remains adequately funded.
- 1.7 In terms of Ofcom's overall involvement on these issues, RIG is calling for the BBC indie production quota, currently set on a voluntary basis, to be made statutory, and at a higher level than is currently the case. This is partly on the assumption that the quota would be monitored by Ofcom – RIG would welcome closer involvement by Ofcom in terms of indie radio production and PSB.

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<sup>1</sup> RIG's business Census was conducted between December 2014 and February 2015. Responses were received from 85 independent production companies whose business is solely or partly radio production. The data was analysed and anonymised by Enders Analysis, who produced for RIG the figures, tables and charts used in this report as attributed

## 2. Answers to Consultation Questions

***Question 1: Do you agree with our assessment of the context in which the PSB system operates, and how the trends identified might affect the PSB system? In particular, do you agree with our analysis of the independent production sector?***

- 2.1 Broadly speaking Ofcom's assessment would appear to be correct.
- 2.2 As stated the introduction of the Codes of Practice regime in the 2003 Communications Act has resulted in huge growth in the indie TV production sector.
- 2.3 We would also point out that as a result of the Communications Act, RIG was able to negotiate similar terms of trade with BBC Radio, meaning that indie radio production companies can also exploit their IP rights in some circumstances. We have also seen the introduction of the radio Window of Creative Competition (WoCC) on the back of that introduced to TV, admittedly one of smaller size, but in general the direction of travel should continue to be that proportionate regulation aids further growth and expansion of both the indie TV, radio and online production sectors. Of course some production companies are involved in all of these mediums so it is important that the regulation for each is as standardised across them as possible.
- 2.4 It's worth noting that with the BBC still the largest commissioner of radio programmes, the Corporation has significant market power. Therefore terms of trade which value the importance of IP, a growing asset for radio production companies, are important to protect producers.
- 2.5 Ofcom states that smaller indie TV production companies continue to gain a healthy share of commissions, and this implies that the current regulatory regime regarding producers' IP rights is working well, and not noticeably benefitting larger production companies at the expense of smaller ones.
- 2.6 We would argue that there is therefore nothing in the evidence that there is a need to revise the Codes of Practice at this stage.

***Question 5: Given the resources available, does the PSB system deliver the right balance of spend and output on programming specifically for audiences in Wales, Scotland and Northern Ireland and programmes reflecting those nations to a UK-wide audience?***

- 2.7 Research used by the BBC Trust's Audience Council shows BBC Radio still does not adequately reflect the diverse nature and locations of the listening UK public. In its 2012-13 review, The Audience Council for England said<sup>2</sup> that:

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<sup>2</sup> England Annual Review 2012-13. BBC Trust Audience Council for England.  
[http://www.bbc.co.uk/bbctrust/who\\_we\\_are/audience\\_councils/england/annual\\_review/annual\\_review\\_2012\\_13](http://www.bbc.co.uk/bbctrust/who_we_are/audience_councils/england/annual_review/annual_review_2012_13) accessed 6th February 2015.

“Radio 4 is characterised by a sharp north/south divide with the south-east and south-west performing well above the UK average of 21 per cent of adults. However in the north and midlands there are far fewer listeners with only 11 per cent of adults in the Humberside region, 13 per cent in the north-east, and 15 per cent in Merseyside using the station. We are concerned that not enough is being done to ensure that the station appeals to listeners from all parts of England, and have raised this with the BBC Trust as an issue which needs urgent attention.”

2.8 Technological development and the rollout of broadband mean that it is easier than ever to produce and submit high-quality audio content from more or less anywhere in the UK. However this is not reflected in a commissioning system which remains rooted in London and one or two other locations.

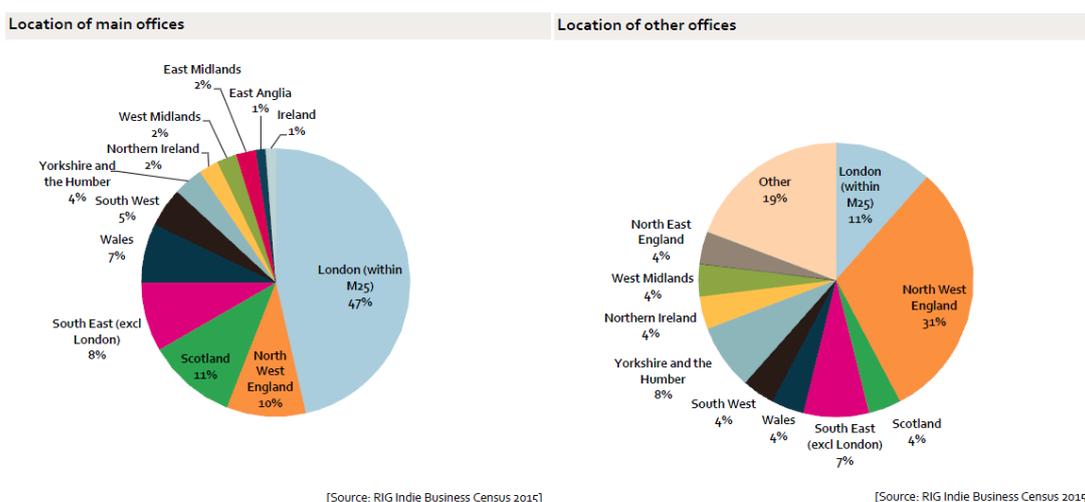
2.9 Tellingly the Audience Council also stated that:

“While Radio 5 live has a much more even spread of listeners across England it still underperforms in some parts of the north and Yorkshire, despite now being based in Salford”.

2.10 The implication of this second statement is that moving certain radio services from a London base to a similarly large base in another part of the country does not solve the overall issue of how to ensure content is reaching the airwaves irrespective of by whom and where in the UK it is produced.

2.11 The BBC has made some attempts to specifically boost commissioning outside London, the most significant example being Radio 5 live’s ‘Northern kicker fund’, which for a short period provided between £50k-£60k to facilitate commissioning of both indies and in-house in the North West. As the audience council implies above however, the amount allocated to such initiatives has been low and they have not addressed the overall issue of the need for the BBC to commission from a wider range of sources around the UK.

2.12 Responses to RIG’s recent indie census demonstrated a good spread of companies around the UK, as this illustration of the location of companies’ offices shows:

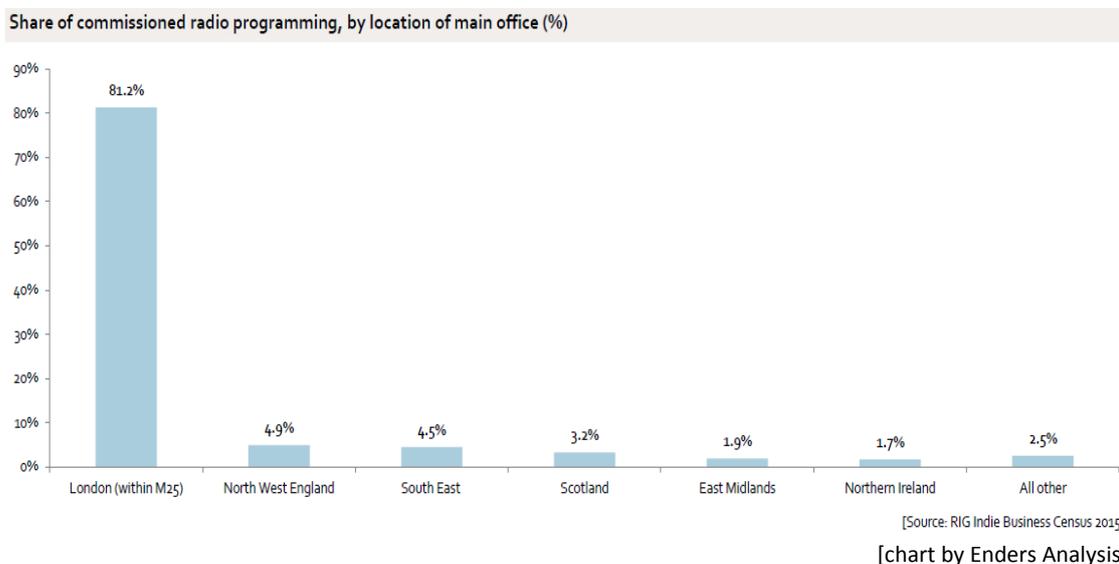


[Source: RIG Indie Business Census 2015]

[Source: RIG Indie Business Census 2015]

[charts by Enders Analysis]

2.13 However in terms of commissions there is far less distribution, with over 80% being with companies within the M25:



2.14 To RIG this suggests that the BBC is not fully taking advantage of the sector's spread around the UK to maximise its potential to provide a genuine range and diversity of content.

2.15 Last year RIG developed a set of proposals which we believe would greatly improve the situation in terms of the BBC and commissioning audio content from all around the UK. We would like to see Ofcom recommend such measures to improve the diversity of the offer available from the BBC's UK networks.

**Figure 1: RIG proposals for BBC radio commissioning - the UK nations and regions**

- RIG believes that, with companies firmly rooted in their communities across the UK, use of the audio-led independent production sector represents one of the best ways in which the BBC can show genuine commitment to reflecting better the UK's nations and regions.
- RIG therefore calls on each national BBC Radio network to develop a plan setting out how it aims to reflect properly the UK's nations, regions and communities for the benefit of licence fee payers, through increasing the use of independent radio production companies across the UK. The drafting of these plans should involve full consultation with representatives of the independent radio production sector.
- Each network's plan should ensure clear arrangements for out of London commissioning, which may include, for example, network Commissioning Editors based in the UK's nations and regions. The plan should also include a timeline for implementation, and measurable commitments for review.
- The BBC should clarify and re-confirm its on-going commitment to what is currently called the 'BBC North Creative Kicker Fund for indies', while extending its remit and funding to support independent radio production in the rest of the UK's nations, regions and communities outside London.

**Question 6: Is declining investment affecting the quality of PSB and is it a cause for concern?**

- 2.16 In terms of 'declining investment', there is a real concern that the effects of BBC cost-cutting initiatives such as Delivering Quality First have had a disproportionate effect on radio budgets.
- 2.17 Radio budgets are much smaller than TV in the first place and consequently any reduction has a larger knock-on effect. The BBC argued in its recent report on efficiency<sup>3</sup> that any further reduction in the Licence Fee would have a real effect on its core services. RIG agrees that as a major commissioner of public service content the BBC needs to be adequately funded. The level of Licence Fee should be maintained at its current level in real terms, by being linked to inflation.
- 2.18 RIG's view is that the BBC's radio services represent some of the clearest examples it has of PSB services operating in a context where in general there is not an alternative commercial proposition. It is notable that neither of the contenders for the second national digital multiplex licence have a strong PSB element, and whilst those two propositions do to some extent provide opportunities for indies to work with commercial radio, they do not replace the BBC's own services in terms of the type of content they would provide.
- 2.19 As such it is crucial to PSB radio broadcasting in the UK that the BBC has sufficient funding allocated to its radio services to continue to provide them to the correct standard and meet their remits.
- 2.20 On this basis we would like to see the BBC radio budget ring-fenced and not subjected in the future to the type of across-the-board savings programmes which have reduced its funding to, or even below, an acceptable minimum.

**Question 8: To what extent do you agree with our assessment of the degree to which the non-PSB services play a role in helping to deliver the public service objectives? In doing so please set out your views on the delivery by the PSB portfolio channels, other non-PSB channels, on-demand and internet services and also radio services separately.**

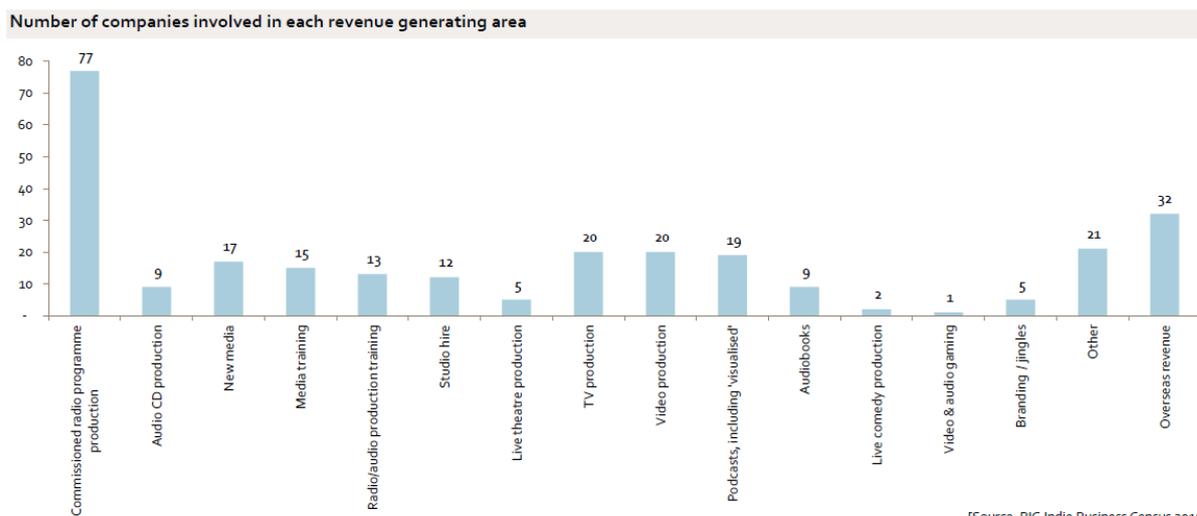
- 2.21 Ofcom mentions declining investment and points out that radio advertising revenues have fallen fairly steadily in recent years. Generally though this is in spite of a maintaining of audiences, and a Radio Advertising Bureau report last year demonstrated that advertisers were not necessarily making the most of radio opportunities, bearing in mind that outside the BBC and other non-ad running services:
- 'commercial radio accounts for around 90% of the hours people spend listening to audio – and even amongst 15-24s it still accounts for 71% of listening time.'<sup>4</sup>
- 2.22 In this climate there is an opportunity for commercial stations to further engage advertisers and audiences alike by creating more innovative programmes and formats which will grow their stations' identity and build on their existing business models which are often comprised of popular music programming plus news and travel.

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<sup>3</sup> Driving efficiency at the BBC to deliver quality content for the Licence Fee payer. BBC, November 2014

<sup>4</sup> Audio now: how a new era of listening is helping advertisers be heard. RAB, September 2014, p19

- 2.23 There are examples of where indie radio production companies have worked very successfully with commercial radio. In particular Absolute Radio has been a trailblazer in this respect. The internationally-renowned Ronnie Wood Show, featuring the Rolling Stones Guitarist playing music, interviewing musicians and recounting anecdotes from his long career (as well occasionally playing the guitar) is made by the indie Somethin' Else, a company which has successfully branched out from its audio-based beginnings to encompass TV, multiplatform and branding.
- 2.24 Likewise TBI Media developed the high-quality comedy panel show The Manuscript, which was produced in association with a men's healthcare product and was aired again on Absolute Radio. The show was again a critical success and in 2014 Absolute picked up a Radio Academy award for its endeavours in the 'Best Use of Branded Content' category.
- 2.25 The RIG Business Census data suggests that for the 85 companies responding, 91.4% of commissioned radio programmes by value were to the BBC, 4.4% to the commercial sector and 4.2% to other broadcasters<sup>5</sup>. Whilst this clearly shows the BBC has the majority of the radio production market we would argue that 4.4% in the commercial sector constitutes significantly more than 'almost nothing', as Lord Hall put it in his speech. Added to the 4.2% for other broadcasters, clearly there are other markets for radio programmes.
- 2.26 Added to this is the fact that once established indies have the ability to diversify as showed by additional figures from the RIG Census:

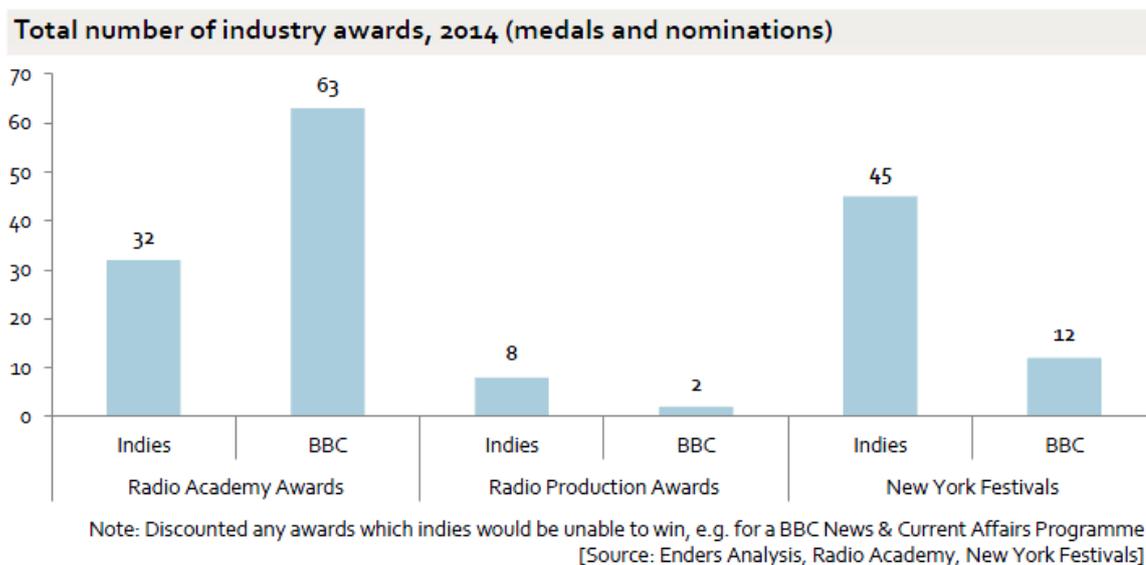


[chart by Enders Analysis]

- 2.27 Indies also achieve a good degree of critical success. Bearing in mind indies can only compete for a maximum of 20% of the BBC's eligible hours, it is notable that indies won just over half as many awards as did the BBC in the production categories at the 2014 Radio Academy awards.
- 2.28 The figures below, covering the three main sets of annual UK and international radio production awards, show that the independent sector continues to win many awards and performs disproportionately well.

<sup>5</sup> Figures provided to RIG by Enders Analysis, March 2015

**Figure 1 – Awards won for production in 2014**



- 2.29 By working both for the BBC and for other UK networks, plus a range of clients in the public and private sectors in the UK and overseas, indie radio producers are building up a wealth of expertise, talent and innovative formats which no one in-house production team could match.
- 2.30 As a result RIG is arguing that the time is now right for the BBC to adopt a far more ambitious model of competition in radio commissioning. We believe this will not only provide additional quality and diversity of BBC radio programmes but also create a thriving vibrant and sustainable indie sector which will find ways of developing an increased number of projects for commercial operators which allow them to broadcast more PSB-style content.
- 2.31 There is without doubt room for movement in this respect, as currently the BBC has a voluntary 10% quota plus a 10% Window of Creative Competition (WoCC).
- 2.32 This WoCC was introduced by the BBC Trust as a result of its 2010 review of independent content supply in radio. In its report the Trust made two important conclusions: firstly that there was a poor relationship between the then BBC Audio & Music department and its indie suppliers; and secondly that the BBC should be moving towards a system whereby it should be able to:
- “Demonstrate a clear focus on delivering high quality and distinctive programming to licence fee payers, in particular through ensuring the best ideas are commissioned regardless of source”<sup>6</sup>
- 2.33 The 10% WoCC was a limited but useful step on the road to the latter objective, as it allowed indie production companies to demonstrate that in direct competition with BBC in-house production arm, indies were far more likely to win commissions. In the first full year of its operation indies won 80% of WoCC commissions, in the second indies won 75%.
- 2.34 RIG now believes that it is time for the BBC to use the evidence of this process to move far more towards open competition for ideas between indies and in-house production across the schedule on all networks.

<sup>6</sup> Radio Independent Supply. BBC Trust, August 2010, p4

- 2.35 Apart from its small size, the WoCC has had its shortcomings, including a large proportion of the indie commissions being scheduled outside peak time in the schedule, and at significantly reduced budgets. We are pleased to say that having raised this with the BBC executive, it is now generally acknowledged that the WoCC has not necessarily been implemented as it should have been. Whilst there are short term ways of seeking to redress this to an extent, the problem can only really be solved by there being the requirement that the WoCC and quota for radio should be measured in value as well as hours, in addition to there being far more opportunity for indies to compete with in-house for commissions.
- 2.36 There is nothing intrinsic to the way radio works to prevent this. Whilst the BBC points to what it believes are differences between the way TV and radio work, fundamentally both sets of schedules contain individual shows made with specific teams according to a certain strategy in terms of format, style and so on. As far as RIG is concerned there is not a BBC programme, format or strand an indie is not equipped to make.
- 2.37 Some of the BBC's most ambitious offerings on radio in recent years have been indie productions – TBI Media alone has produced specials such as 'Titanic minute-by-minute', 'D-Day live at the Albert Hall', Radio 5 live's 'Energy Day', and 'Dambusters Live'.
- 2.38 Given the evidence of what indies show can be achieved when given the opportunity, it is hard to see why more opportunities should not be given for independent producers, large and small and from across the whole of the UK to produce a greater amount of compelling content which fits the BBC's PSB remit.
- 2.39 In addition an indie can then take this expertise and develop ideas for commercial radio meaning the UK citizen-consumer will have a greater range of public service content to choose from.
- 2.40 Ofcom mentions BFBS as an example of a radio service which has public service attributes. RIG would also point towards the Prison Radio Association (PRA). The PRA not only produces National Prison Radio which broadcasts within the majority of prisons across England and Wales in partnership with the National Offender Management Service (NOMS), but is also a highly successful production centre, winning awards on a regular basis. This is despite highly finite resources.
- 2.41 The PRA example shows that all types of companies can and do get involved in producing high quality independent content – RIG is keen to ensure that going forward any increase in commissioning opportunities presents a level playing field not just between indies and any retained in-house capability, but between competing companies in the indie sector regardless of size or location.

**Question 14: Do the current interventions in relation to the independent production sector need to change in light of industry developments?**

- 2.42 As we stated in our answer to Question 1, we do not believe there is any real evidence that the current regime relating to indie TV production needs revising. Specifically, the purchase of some leading UK indies by larger international companies does not as yet appear to have had a negative impact on the UK sector or on a broadcaster's ability to commission from a wide range of suppliers, of different sizes and specialisms, and based around the UK.

- 2.43 As we have sought to show, the 2003 Communications Act has had very real and positive knock-on effects for the terms of trade for indie radio production. With production companies increasingly diversifying into TV and online we again would argue that the direction of travel towards enabling further investment in the indie sector should be maintained.

**Question 15: Have we identified the right options when considering potential new sources of funding, are there other sources of funding which should be considered, and which are most preferable?**

- 2.44 RIG is keen that all options are explored when it comes to being able to maintain the standard and volume of PSB audio broadcasting in the UK.
- 2.45 We would reiterate the need for the BBC radio budget to be ring-fenced and for the Licence Fee overall to be protected from inflation.
- 2.46 We would also suggest that Ofcom may wish to examine whether there are further measures to provide additional competitive funding of audio PSB content. For example the Broadcasting Authority of Ireland (BAI), has had some success with its Sound & Vision scheme. This scheme awards grants to television or radio broadcasters, or to independent production companies, to make PSB-style content. The objective is to increase public access at national, local and community level to high-quality television and audio programmes, in English and Irish, exploring themes of Irish culture, heritage and experience in contemporary or historic contexts. An independent study of the effects of the scheme concluded that it had had a positive impact on creative industry skills and that:
- “Related to Sound and Vision II’s encouragement of skills within the audiovisual sector is its supporting of high quality niche public service programming (as evidenced by our earlier audience research), which would not be produced but for the Scheme. The novel programmes include, for example, local histories and dramas broadcast on television and radio, in Irish as well as English, with the capability of generating wider interest and having an inherent educational value.”<sup>7</sup>
- 2.47 Equally we would reiterate that we support the suggestion that there should be a revisiting of the re-transmission fees issue to reflect the benefit cable and satellite platforms get from being able to show PSB services, which continue to account for high levels of viewing on those platforms.
- 2.48 A reversal of the payments currently made to cable and satellite platforms by the UK PSBs would allow the latter to invest more funds into content, as many of them committed to do.

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<sup>7</sup> Final report to the Broadcasting Authority of Ireland Statutory Review of Sound and Vision II. Crow Howarth, 10 June 2013, p53, para 7.2.7

### 3 Conclusions

3.1 RIG would like Ofcom to make recommendations based on our following conclusions:

- Improve the BBC's commissioning of audio content from all around the UK, including: specific BBC Network radio plans for the nations and regions; clear commission arrangements including some out-of London commissioning roles; expanding and extending existing area-specific funds to cover the whole of the UK
- The BBC radio budget to be ring-fenced and not subjected in the future to the type of across-the-board savings programmes which have reduced its funding to, or even below, an acceptable minimum
- The BBC should have far greater competition for ideas in radio – in the case of the absence of this from the 'Compete or Compare' proposals, we would call upon Ofcom to recommend the raising, over a suitable period of time, of both the current indie radio voluntary quota and WoCC to a minimum of 25% in each case. The BBC indie production quota, currently set on a voluntary basis, should be made statutory
- There should not be any change to the Communications Act legislation concerning the TV Terms of Trade
- Ofcom should realign re-transmission fees to reflect the value the PSBs give to cable and satellite platforms and consider additional sources of revenue such as an equipment levy