

# 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

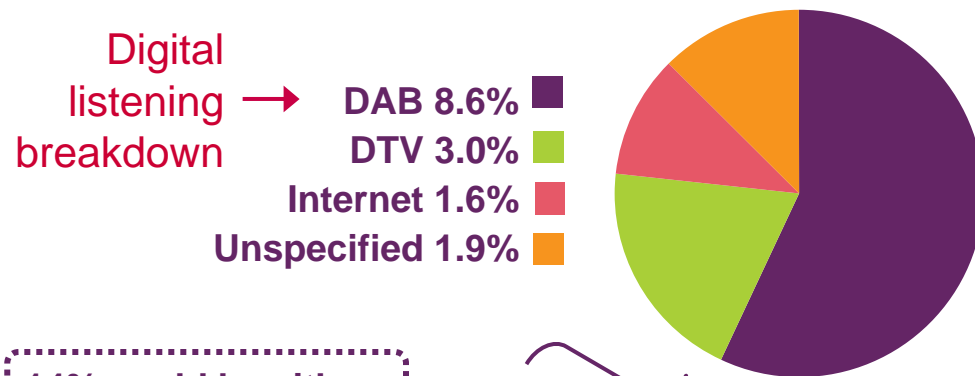
Digital Radio Working Group

Next steps



# Context

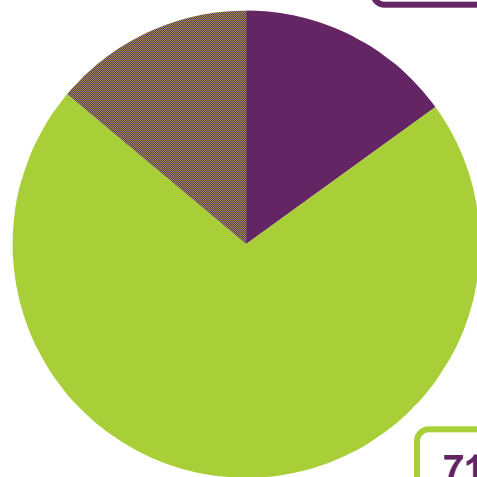
## Digital listening is growing and listeners have more choice



14% could be either

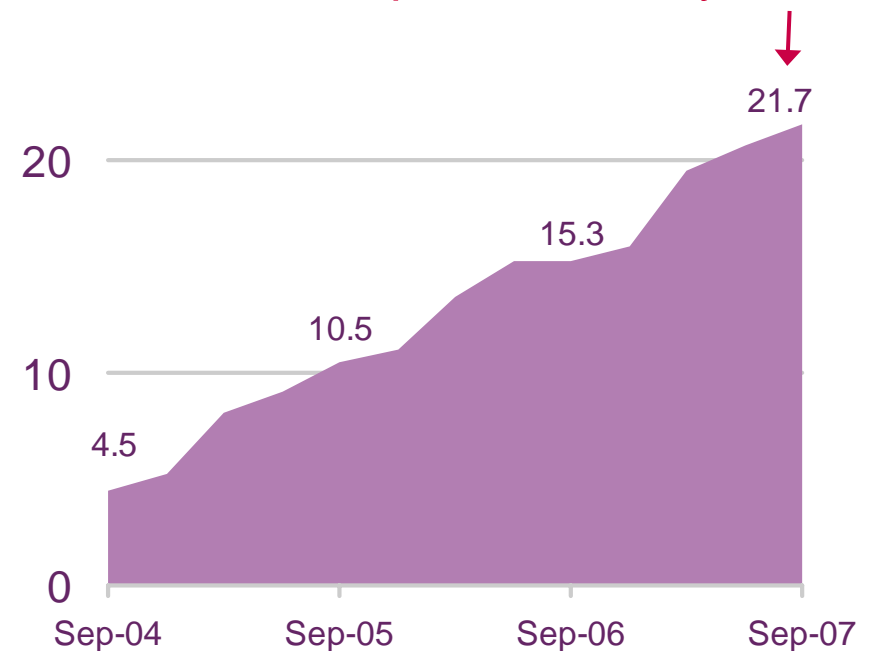
15% digital

15% digital listening (Q3 07)



71% analogue

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



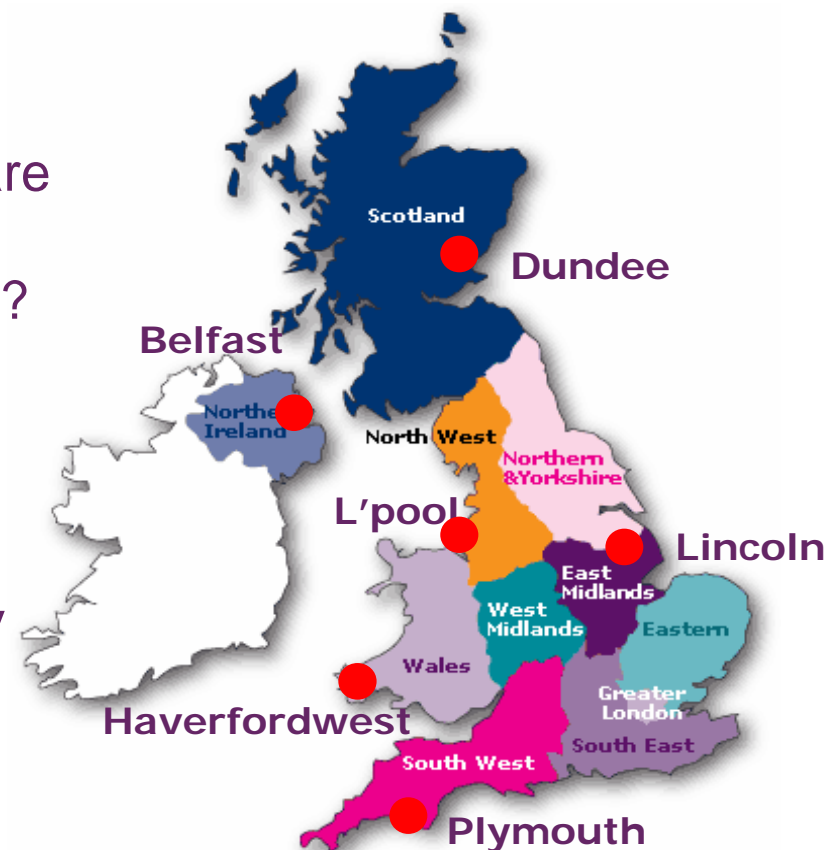
# Local programming on commercial radio

## 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

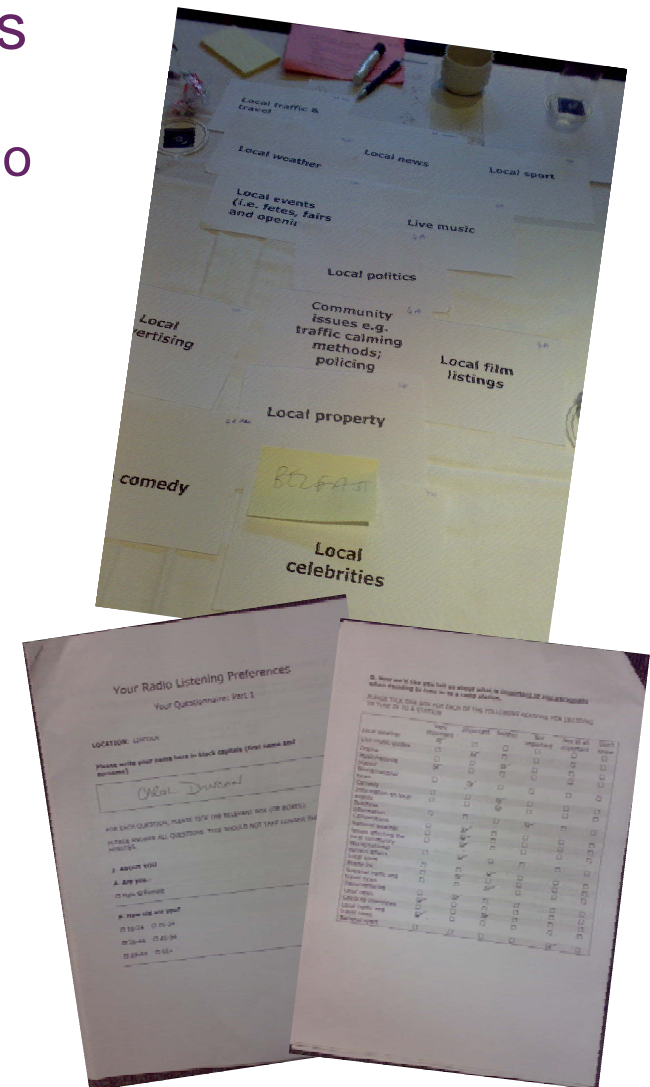
- **Aims of the research:**
  - **Localness on local radio:**
    - How is the local area defined?
    - Which programming elements are most important?
    - When should they be broadcast?
    - Where should local material be made?
  - **Future regulatory possibilities:**
    - Reactions to different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

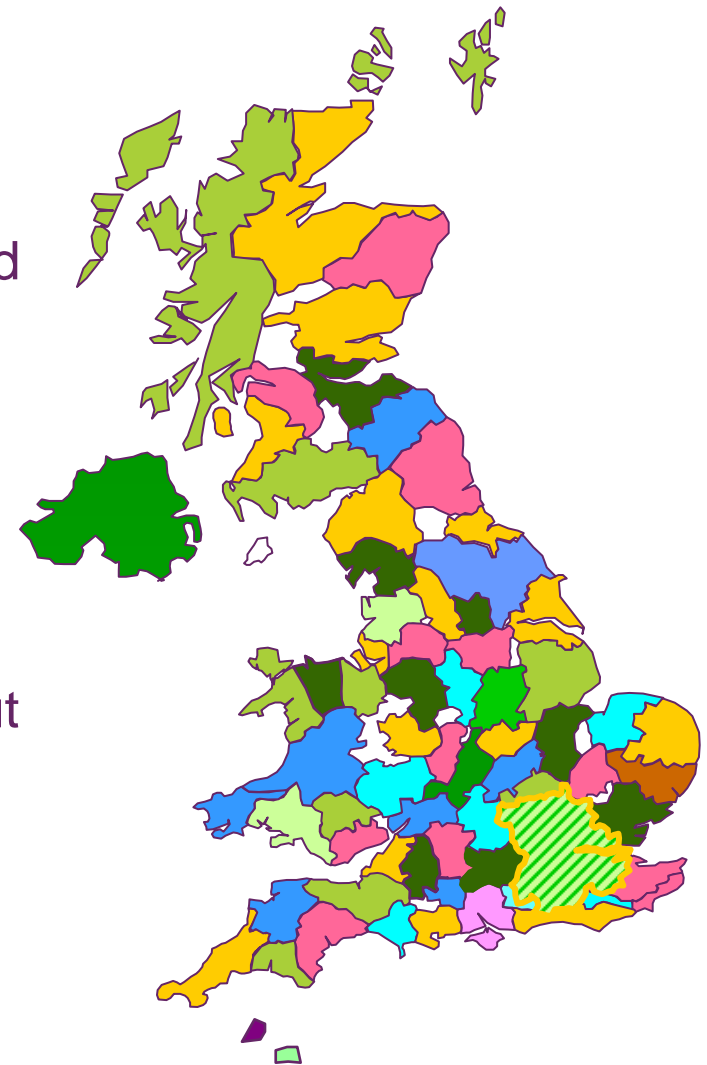
- Original proposal linked changes to digital take-up
- As localness will be protected at times listeners expect it, we now propose to implement changes as soon as possible



# Commercial radio ownership rules

## Commercial radio ownership rules

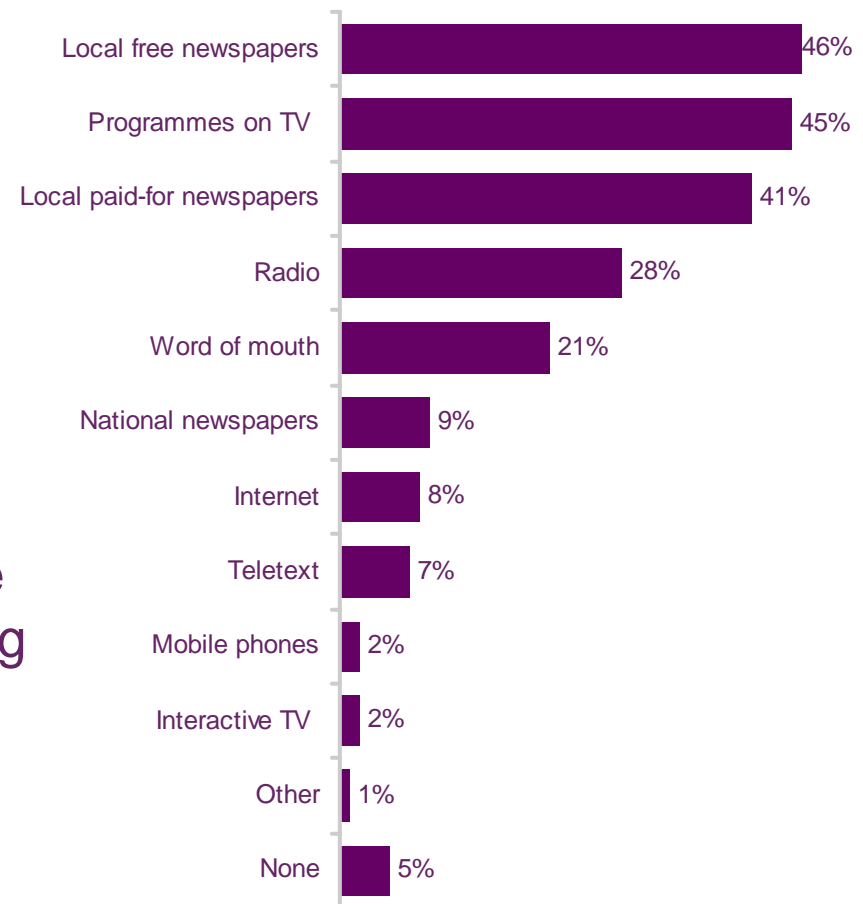
- In April, we suggested:
  - Single simplified ownership system based on DAB areas
  - Simplified local DAB multiplex rules
  - Maintenance of national DAB rule
  - Cross-media ownership rules retained but should look across analogue and digital radio as a single radio platform
- Industry argued for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

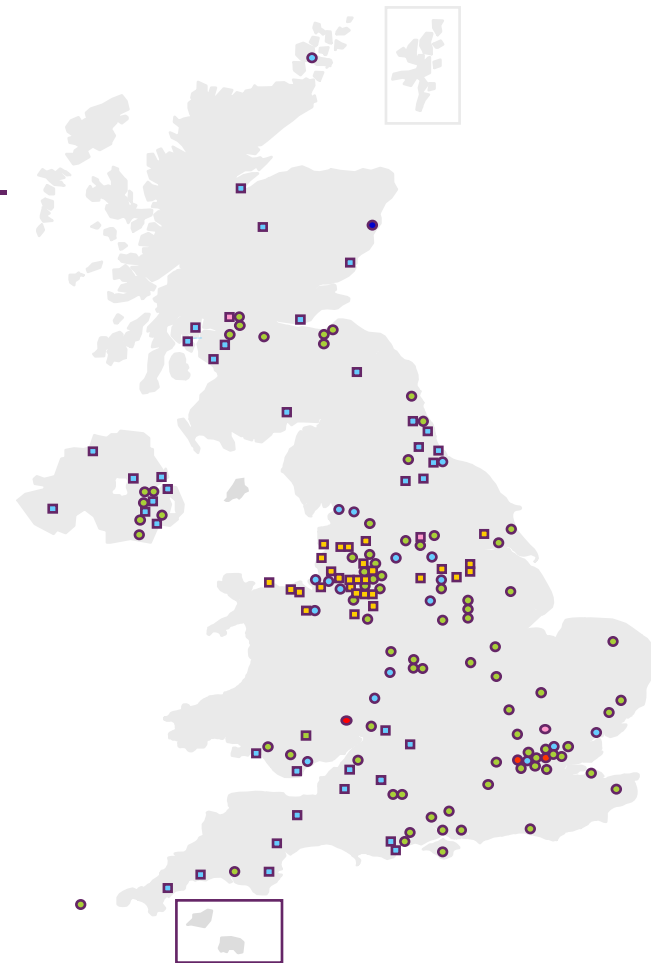




# Community radio

## 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