

Radio: preparing for the future

Phase 2: Implementing the framework

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Introduction

Ofcom is the independent regulator of television, radio, telecommunications and wireless communication services in the UK.

Part of our role is to look closely at how these services are run and offered. Where we think things could be improved, we consult everyone involved – from the companies who offer services to the customers who use them.

This booklet is a summary of our second consultation in our continuing look at radio services in the UK. Our first consultation took place in December 2004.

This phase of our review sets out the regulatory framework for the years ahead.

A summary of 'Radio - preparing for the future'

Radio as a medium is increasing everywhere. Its reach and power to inform and entertain locally and nationally is widespread and immediate. Listeners love their local station, and they regularly tune into their favourite national stations. They move easily from commercial to BBC radio and, because radio is available on so many 'platforms' (through digital TV, iPods and so on), listeners have taken radio into the digital world ahead of television in many ways.

While this document is a review of the radio industry, we have regulatory responsibility for only part of the wider radio sector, which includes:

- BBC radio;
- commercial radio;
- the new community radio sector;
- temporary radio services for events and so on licensed under restricted service licences; and
- radio services delivered by new media (including digital television, mobile devices or the internet), some of which are not affected by regulation and others that are covered by our licensing responsibilities.

- 1 In the analogue world, a combination of policy decisions and limits on the frequencies available have created a radio market in which, broadly speaking, the BBC dominates UK-wide radio and the commercial sector dominates local radio. Partly as a result of this, commercial radio is much less well funded, at both the UK-wide level and the local level, station by station, than the BBC. For this reason, the two sectors currently provide very different types of radio programming.
- 2 Digital radio, available on a number of platforms, is beginning to change this but the market is still dominated by analogue radio.
- 3 Radio in the UK is now broadcast on a number of platforms, including analogue radio, digital audio broadcasting (DAB), digital television and the

internet. Our responsibility in the radio market is limited to certain areas – we do not regulate the BBC (except to deal with certain categories of complaint) or internet radio, and our regulation of commercial and community radio varies depending on the platform used.

Ofcom's overall strategic framework for radio

4 Digital radio provides many benefits for listeners, including:

- greater choice of stations;
- easier tuning;
- more features (such as the ability to pause and rewind live radio); and
- the possibility of data services.

In the future it is likely that the vast majority of people will listen to radio through digital platforms such as DAB, digital television and the internet. While we welcome the development of other radio platforms, DAB digital radio is currently the only platform that:

- offers the benefits of digital radio on free-to-air TV channels (such as Freeview), and to mobile and portable receivers; and
- can guarantee a range of local and UK-wide services to the vast majority of the UK.

As such, it is important that we put in place the conditions to allow DAB digital radio to expand and thrive in the digital age without preventing other platforms to develop over time.

5 Our overall vision for radio is to allow for increased competition in the market to provide as wide a range of services as possible and, alongside them, to develop new multimedia services to serve consumers' needs. Our role is to make that vision possible.

6 This will allow us to re-balance the way we regulate radio by reducing our involvement in regulation wherever we can, while still making sure that the market provides those things that society values.

7 Our strategic framework for the future regulation of radio has three aims:

- to improve choice, diversity and innovation for consumers at national, regional, local and community levels;
- to protect citizens' interests by making sure that radio designed to meet public purposes is provided (see paragraph 13); and
- to keep our involvement in the radio market to a minimum, in line with our objectives.

8 If we follow this framework, what might the radio market look like in 10 to 15 years?

- A strong and independent BBC, providing a range of distinctive services that meets the public purposes of radio, as set out by the Green Paper on the future of the BBC. BBC radio services should aim to meet these public purposes across the schedule as a whole, including at peak times. But the BBC should recognise its effect on commercial and community radio. A

number of new measures will be necessary to make sure that this happens, as suggested by the Green Paper on the future of the BBC's Royal Charter and our response to that Green Paper (on Ofcom's website at: www.ofcom.org.uk/media/news/2005/06/nr_20050608).

- A large number of community services at a very local level, providing training for listeners and the chance for them to get involved, for every community or organisation that wants such a service wherever they are in the UK.
- A wide range of local and regional commercial services, catering for local tastes and interests, and providing the local flavour that listeners tell us they value – in particular, local news and information.
- A wide range of UK-wide stations that offer new and exciting services, cater for a broad variety of tastes and interests, and provide competition for the BBC at a UK-wide and regional level. Just as digital television has developed to provide channels catering for specialised audiences, so should radio. Many of these specialised subject areas are only likely to be commercially viable at a UK-wide level.
- A range of subscription radio services, offering programming that traditional advertising methods may not be able to support.
- A range of long-term restricted service licences (LRSLs) catering for single sites and temporary services (short-term RSLs), such as those catering for the needs of particular events (festivals, sporting events and so on).
- All of these services supported by multimedia services where possible, offering on-demand services, downloads, archive programming, text and graphical information.
- And all of these services available where and when audiences want to access them on devices that offer real consumer benefits, such as stand-alone radios, mobile phones or the internet.

9 Those elements of this vision that are not fully met in today's radio market are:

- the wide range of UK-wide commercial stations;
- the varied provision of UK-wide and national radio that meets public purposes;
- a subscription radio sector; and
- the wide range of community radio services.

The public purposes of radio

10 Our initial research, published with phase 1 of this review, suggested that audiences are broadly satisfied with the radio they get now. But given the extra options now becoming available (such as iPods), many listeners, particularly the younger ones, believe that radio needs to adapt and move forward to cater for their needs in a digital age.

11 Our latest research identifies a number of purposes and characteristics of radio and asks listeners how important these are to them as consumers and as citizens.

- 12 In an ideal world, all of these purposes and characteristics would be met by the radio market – and, indeed, many of them are met (providing weather reports, traffic reports and entertainment). But there may be some things that the market would either not deliver at all, or not deliver enough of, and so our involvement may be necessary to deliver them. We define these things as the public purposes of radio.
- 13 The Government's Green Paper on the future of the BBC sets out a range of public purposes for the BBC, across all of its services. The purposes and characteristics our research has identified can be matched to these public purposes to create a set of public purposes for radio as a whole. Together with the requirements on community radio to provide social benefits, we believe these provide a detailed set of public purposes that:
- sustain citizenship and civil society;
 - promote education and learning;
 - encourage creativity and cultural excellence;
 - represent the UK, its nations, regions and communities;
 - bring the UK to the world and the world to the UK; and
 - provide social benefits.
- 14 The emphasis within each of these general public purposes for radio will be different from other media, and different elements of each public purpose will be met by different radio sectors – BBC, commercial and community.
- 15 It is also worth noting that as well as providing consumer benefits, the radio industry makes a significant contribution to the creative economy in the UK and this role will continue to be important in the future.

Actions needed to make the strategic framework possible

- 16 The radio industry itself has begun to take advantage of these opportunities and will need to continue to move forward and adapt if it is to make the most of the opportunities offered by this strategy, but there are some specific things that we and the Government need to do to make this framework possible. (Note: the VHF Band III spectrum issues are considered in more detail in a separate document: 'Radio – Licensing policy for VHF Band III, sub-band 3', available on our website at: www.ofcom.org.uk/consult/condocs/vhf/)

a) The regulation of formats and 'localness'

- We want to regulate without interfering too much yet still protect the interests of citizens, so we confirm the move from the regulation of inputs (how programmes are made) to the regulation of outputs (what listeners hear).
 - We provide a final set of 'localness' guidelines (in line with section 314 of the Communications Act 2003), which have been amended following consultation (mainly to do with the suggestion that a local journalist should be present for all local news broadcasts).
 - We confirm that we will make sure that the radio industry follows the above guidelines by responding to complaints, checking the

content of various radio programmes, and keeping a public file on the internet to show how the station serves the public.

- To provide clear procedures for stations, we set out (for consultation) the way that we will consider requests for format changes for local commercial radio stations. This will apply in the short to medium term. However, we note that in the longer term, as competition increases and when digital radio is listened to by the vast majority of the population, the need for formats for local stations to specify the type of music they must play may reduce.
- Currently, 'localness' on digital radio is achieved because many of the stations carried on local DAB also have analogue licences and so must follow analogue regulations (some digital-only services offer, or are committed to offer, local material). If and when 'simulcasting' of these stations ends, there will be little need for them to broadcast local material. (Simulcasting means broadcasting the same programme on radio and TV or on more than one TV or radio station at the same time.) Indeed, there may come a time when most people will listen to a station on digital platforms and it will no longer be in that station's financial interests to keep its analogue licence. We recommend that the Government considers what changes in the law may be needed, if any, for digital radio to continue providing local material when simulcasting ends.

b) 'Plurality of provision' of radio's public purposes

- In our review of public service television, we suggested that the 'plurality of provision' – in other words, more than one broadcaster providing services so that consumers can hear a range of different viewpoints – of public service broadcasting would still be important in the digital age and that the BBC should not become the only provider of public service programming. We suggested that such programming could continue to be provided by Channel 4 (although the broadcaster may need some form of public funding in the future to continue meeting its public service responsibilities), but we also put forward the idea of a public service publisher (PSP). The PSP would commission content not just for television but for new multimedia platforms.
- In radio, we recognise the lack of variety in the programming that meets all of the public purposes we identify, particularly the purpose of supporting citizenship and civil society.
- We hope the release of more frequencies will allow the market to provide that number and variety of services that meet the public purposes of radio and competition for the BBC in all relevant programme types. However, if the market does not deliver, we recommend that the Government considers the advantages of another publicly-funded radio broadcaster, as part of its consideration of the multimedia public service publisher.
- This could be relevant both at the UK-wide level and in providing national services for Scotland, Wales and Northern Ireland.

c) The BBC

- We support the existence of a strong and independent BBC and welcome the measures proposed by the Green Paper for:
 - o issuing service licences; and

- o the proposals for 'market-impact' assessments, which are assessments of the effect that a new BBC service would have on commercial competitors.
- However, we have recommended to the Government that we should carry out the market-impact assessments and that they should apply to significant changes to existing services as well as new services.
- We also recommended to the Government that we should be given powers over the BBC to make sure that it does not act unfairly, in a limited and clearly defined set of circumstances.
- We welcome the BBC's proposed consultation on providing commercial access to its radio archive.

d) Licensing policy

- We will continue to license local commercial FM stations and analogue community stations, but the amount of capacity available within the FM spectrum is very limited.
- We will look at creating opportunities for more stations to offer their listeners the benefits of digital radio (including easy to tune in, extra functions such as pause and rewind, data and multimedia services and clear reception) in ways they want to receive it (such as portable and mobile receivers). We are not, at this stage, proposing a programme of digital switch-over for radio, similar to that in television. However, we recognise the benefits of stations having the opportunity to broadcast digitally – but there is no automatic right for all existing services to move to digital.
- We are proposing, after consultation, to allocate three blocks of VHF Band III spectrum to local multiplexes on the DAB platform, to fill in the gaps in existing coverage to make sure that every part of the UK has the opportunity for at least one local DAB multiplex. (A multiplex is a system that allows two or more signals or streams of information to be transmitted at the same time in the form of a single, complex signal. The separate signals are then recovered by a receiver). When this roll-out is complete, there could be as many as 190 existing local analogue services also broadcasting digitally. All of the BBC's local and national services should then be available on DAB. We propose to license this spectrum under the terms of the Broadcasting Act.
- In making these proposals, we have taken full account of the cost of using the spectrum for this purpose, and not giving full flexibility to the market. We think the benefits to the public justify the choice.
- We do not believe that DAB, either in VHF Band III or in L Band, is suitable to provide a digital route for all existing analogue stations. We will instead consider the technical options that could provide the opportunity for a move to digital for those stations (commercial and community) or areas where DAB does not provide a realistic option. One possibility is DRM (digital radio mondiale), which could operate on the medium-wave spectrum (currently used for AM radio) or, in the longer term, on VHF Band II (currently used for FM radio).
- Space for broadcasting in medium wave is very limited. Generally, the only demand for more analogue medium-wave licences to be advertised is from radio stations who want to provide services offering very large-scale

coverage. But, due to the limitations of the existing medium-wave spectrum, licences of such scale are not practical. Medium-wave spectrum could be used to provide a digital route for small commercial and community stations using DRM. We do not believe that there should be any more licensing of commercial stations on medium wave, given the long length of the licences and the risk of a possible conflict with DRM. So, we will not license any further medium-wave commercial stations at the moment, although we may license more community stations on medium wave as they are small scale and limited to five-year licences.

- We consider that, at some stage, it will be appropriate for the simulcasting of services (both local and UK-wide) on analogue and digital platforms to end. However, this should not happen until the vast majority of listeners can receive digital radio in the same way that they currently receive analogue radio (such as on portable and mobile receivers), and only after we have carried out a full analysis.
- To provide more choice for as many consumers as possible, and to provide those services that may only be realistic at a UK-wide level, we propose (after consultation) to allocate one block of spectrum in VHF Band III to provide an additional UK-wide multiplex. This spectrum will provide more sound services as well as the opportunity for new multimedia services. To meet a variety of broadcasting policy objectives, we propose to award this multiplex as a Broadcasting Act licence.
- Given the way DAB is broadcast, it is not generally suitable for community radio so alternatives may be needed. These could be digital (such as DRM) or analogue. In time, more capacity could become available for these services by ending the simulcasting of services (both local and UK-wide) on analogue and digital platforms – in other words, switching off the analogue service – once the vast majority of listeners can receive those services on portable and mobile digital radio platforms. We would carry out a full cost-benefit analysis before making a decision on this issue.
- There are many other commercial opportunities for radio beyond those discussed here. For example, our programme of spectrum auctions should allow new services and networks to be developed, using L-band and other frequencies. This programme will give the market as much flexibility as possible to decide on technologies and services. There may well be opportunities to develop new data and multimedia services, or more radio services, whether free-to-air or by subscription (which our research shows may be popular).
- We confirm our proposal to move from a minimum bit-rate (sound quality) requirement to a system in which the radio industry regulates itself to maintain the quality of sound services.

Question for consultation

17 We would welcome your views by 11 January 2006 on the following question.

Do you agree with the proposed procedure and considerations for dealing with requests for format changes to analogue commercial local radio stations?

Responding to this consultation

How to respond

We invite your written views and comments on the consultation question about format changes raised in this summary document. The deadline for your response is **5pm on 11 January 2006**.

You can post or fax your comments, marked with the title of this consultation to:

Peter Davies
Director of Radio and Multimedia
Riverside House
2A Southwark Bridge Road
London SE1 9HA

Fax: 020 7981 3806

Or, you can e-mail your response to peter.davies@ofcom.org.uk.

Please note that if you contact us by e-mail, you do not need to send us a hard copy. We do not usually acknowledge receipt of your comments.

In your response, please include direct answers to the question asked in this document. It would also help if you can explain why you hold your views and how our proposals would affect you.

Further information

If you want to discuss the issues and questions raised in this consultation, or if you need advice on the appropriate form of response, please call:

- Peter Davies on 020 7981 3476;
- Neil Stock on 020 7981 3301; or
- Martin Campbell on 020 7783 4677.

Next steps

At the end of the consultation period, we intend to publish a statement before the end of the year on matters being consulted.

Please note that you can register to get automatic alerts when our documents are published at www.ofcom.org.uk/static/subscribe/select_list.htm.

Our consultation processes

We are keen to make it easy for you to respond to consultations so we have published some consultation principles that we try to follow, including on the length of consultations. If you have any comments or suggestions on how we carry out our consultations, please call our consultation helpdesk on 020 7981 3003 or e-mail us at consult@ofcom.org.uk.

We would particularly welcome your thoughts on how we could more effectively get the views of those groups or individuals, such as small businesses or particular types of residential consumers, who are less likely to get involved in a formal consultation.

If you would like to discuss these issues, or our consultation processes more generally, you can contact Vicki Nash, Director, Scotland who is Ofcom's Consultation Champion.

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