

Response to Ofcom's consultation "Localness on commercial radio"

Local radio licenses were created in the Sound Broadcasting Act by the Conservative Government of Edward Heath in 1972 with the first services going on air in 1973. These licenses were specifically designed to serve local areas and compete with BBC local radio. Over time these have been bought up by larger companies and various economies of scale have been achieved such as creating brands and networks of stations under the same name.

There are three national analogue licenses plus numerous national stations broadcast on Digital Radio multiplexes (DAB) and over the internet, apps and TV.

The bulk of commercial radio income comes from FM Broadcast licenses and so we believe maintaining the commitments that came with those licenses (which are lucrative) should be a minimum requirement.

Those commitments have already been diluted to insist on just seven hours per day of locally originated output Monday to Friday and four hours per day of locally originated weekend programming if stations have local news throughout the day.

Ofcom proposes that the requirement for local programming be further reduced to only three hours per weekday and removes the stipulation that it must be at breakfast time. It also proposes that the "approved areas" which count as "one locality" be made larger meaning the definition of "local" goes from being over 30 different regions in the UK to just 13 "super-regions".

The financial picture

According to the Radio Centre, the commercial radio industry body, Commercial radio has had a "huge boom" period in ratings and revenue in the last quarter

<https://www.radiocentre.org/huge-boom-for-radio-as-2016-q3-revenue-figures-released/>

<https://www.radiocentre.org/biggest-ever-audience-for-commercial-radio-as-ad-revenues-surge-2/>

The Ofcom proposals detail the challenge from digital competition (Apple, Amazon, Google etc) who do not have such tight restrictions in their local production regulation. Equally those operators do not have a fiercely fought over and very lucrative FM Broadcast license which was given with a set of requirements for local production. Should existing operators wish to compete with the major digital players, they are free to do so in the digital spaces where they are already present, and are also free to discard their FM broadcast licenses if deemed to be holding them back, allowing other local operators to maintain the local commitments that come with the responsibility of operating the lucrative local licenses.

The Ofcom proposal mentions how local shows are “expensive” for operators and require local studios and people- although commercial radio itself via the Radio Centre says it is enjoying a “huge boom”, so the commitments are not overly cumbersome. It is worth noting that some local infrastructure would have to remain should these licensees wish to continue taking money from local advertising.

In their statement in 2010 after the Digital Economy Act, when reducing local provision for stations from 10 hours a day to 7 hours a day, Ofcom said:

“Ofcom said: “In recent years, declining advertising revenue combined with regulatory constraints have led to an uncertain future for many local stations, particularly smaller ones.”

“New provisions in the Digital Economy Act 2010 allow Ofcom to take a number of steps to ease these pressures and enable stations to make necessary cost savings. The aim is to create a sustainable future, where stations continue to deliver services that listeners value.”
<https://www.campaignlive.co.uk/article/ofcom-deregulate-local-radio/997121>

Given the Radio Centre’s recent statements, much of what the Digital Economy Act and Ofcom’s subsequent actions sought to address have now been achieved.

What do listeners want?

In their consultation document, Ofcom’s research shows that people value news. It also appears to show that people are less bothered (although by no means completely unfussed) about where what they are listening to comes from. However, the questions in the research do nothing to address the consequences of moving production to London – which is the most likely scenario given where most broadcast organisations are based.

“Would you be happy for all local jobs to go at the radio station you listen to and for everything to be broadcast from London instead?” – if this was asked in cities outside London it would be interesting to see what the results would be. It is one thing to ask people what they want but something very different to ask them to give their views on the potential consequences. We therefore believe that Ofcom’s research is only partial and not sufficient in order to make such a major change to the radio broadcasting landscape.

Local hours provision

It seems peculiar that now commercial radio has achieved such great ratings and revenues, that Ofcom sees fit to take this from 7 hours to just 3 and to hugely increase the size of the approved areas for “local” production. Surely it has already achieved its stated objectives within the provisions of the Digital Economy Act?

Ofcom should be upholding commitments and focusing on maintaining the license requirement rather than looking at ways to reduce the cost structure of commercial companies, which by their own trade body reports rude health.

Location of license holders

The Ofcom proposal suggests reducing the number of “approved Ofcom areas” that count as one locality within which “local provision” must be made from over 30 to just 13. This has been based loosely on the ITV regions. If this proposal is intended to be an internet-era set of guidelines, why draw the boundary to ITV regions decided in the last century?

The new regions would also allow operators of the licenses to produce only 3 hours of local programming for the entire enlarged region, which would not have to be at breakfast time.

This would be the case for the local radio licenses which were won to serve smaller areas / cities which have already been combined to cover larger areas and would, in the proposal, be diluted still further to cover even larger areas with all programming highly likely to come from London, except one 3 hour programme.

The proposed Central region is the largest outside London (and nearly as big as London). It also doesn't reflect that fact that the ITV region is now divided in two for news coverage. The East and West Midlands are different, with the West gravitating towards Birmingham and the East having a very separate identity. The East Midlands would be better placed with Lincolnshire (or at least some of it). Splitting out the East and West Midlands, especially given their burgeoning economies would make economic and cultural sense.

Keeping North and South Wales as separate approved areas would help prevent everything being based in Cardiff.

Keeping North Scotland and Northern Ireland separate helps to reflect the very separate identities of the two populations, not least as they are two different nations within the UK. There is a separate political landscape in Northern Ireland as well as the obvious geographical complexities the proposed new approved area would add.

The South West seems poorly served by the new West of England area. It is hard to argue that Southampton and Newquay have enough cultural or geographical convergence to warrant being lumped together. There is a greater cultural commonality between places like Bournemouth, Southampton and Brighton.

The reduction in creative industry talent from regional centres and a migration to London would unduly impact local creative industries and talent development.

Conclusion:

At a time when Channel 4 is being asked to move some of its operations outside London and when the Midlands Engine and Northern Powerhouse are recognised as important ways of

re-balancing our London-centric economy, the current Ofcom proposals seem to push for a more centralized approach. This goes against the spirit of the licenses for which it is regulator and the interests of the wider UK economy.

If we want to make the radio industry more digital-focused, the proposals remove the incentive to invest in digital by deregulating the existing FM licenses. Keeping local FM provision to 7 hours per weekday, would continue to give ample incentive for broadcasters to achieve their national programming ambitions by investing in digital.

Radio companies have acquired these licenses in the knowledge that these, unlike other digital options, come with greater regulation. Given they also come with greater profit margins, the public service and regional commitments come with a financial incentive that outweighs the infrastructure investment.

At a time when local newspapers are suffering a revenue squeeze, it is important to keep local media and presenters, producers and journalists who are connected with their local areas if it is profitable to do so. This not only helps satisfy local democracy reporting but also helps the media to be more regionally diverse in its attitudes, editorial decisions and talent development.

Ofcom does not seem to have undertaken a full enough impact assessment of what will happen if these changes take place. Over 80% of commercial radio revenue is generated by just four companies – three of which are private companies not listed on the stock market. These four interests have a collective voice through the Radio Centre. Radio is almost entirely non-unionised and so there is no effective voice for the managers, producers, presenters, engineers, sales people and support staff who deal with the day to day operation of the industry. Aside from this short period of consultation, Ofcom has not appeared to talk to these people about the impact of these proposals. In the absence of any sort of equivalent voice to the Radio Centre, there is currently little information as to the wider impact these proposals would have not only for jobs but for quality of output and local connection.

Therefore, we believe Ofcom should:

Retain seven hours of locally produced content per weekday, including provision at breakfast time.

Re-visit the proposed Approved Areas in order to have separate areas for Northern Ireland, Northern Scotland, the East Midlands, The West Midlands, North Wales, South Wales, The West Country and the Solent area at minimum.

Be mindful that the DCMS recommendations have not yet been put to parliament in a bill and that we currently have a minority government. There might be amendments to an eventual bill which bring back some of the elements of regulation that Ofcom is suggesting be dispensed with. This could end up being extremely costly to radio operators and we strongly advise that changes by the regulator are kept to a minimum until Parliament gets to have its say and produce new legislation.