

# **Localness on commercial radio: Approved Areas in Scotland**

**A response to the Ofcom re-consultation**

**by Bauer Media Group**



**MEDIA GROUP**

**November 2018**

## Introduction

Bauer Media UK welcomes this opportunity to comment on Ofcom's proposals for Approved Areas for commercial radio within Scotland. We have no stations in Wales and so have confined our comments to the proposals for Scotland.

Last year the Government consulted on reducing the regulation of commercial radio. We support the Government's conclusions from that consultation but we recognise that their full implementation will require new legislation. In the meantime we welcome Ofcom's recent statement on deregulation, recognising that Ofcom is bound by existing statute and cannot deregulate as far as we would wish.

However, we disagree with Ofcom's latest proposal to retain existing Approved Areas in the south of Scotland and to not create an Approved Area for Northern Scotland.

We recognise that audiences in Scotland highly value local news and information and we are happy to continue to provide that. As we said in our response to the first consultation "We provide lots of local news and will continue to do so, regardless of any regulatory requirement. Indeed we are happy to accept new regulation to protect provision by the industry in this important area."

However, we see no evidence that justifies retaining the status quo for Approved Areas in Scotland.

- Audiences to local commercial radio are declining in Scotland, just as they are in England.
- Scottish audiences do not value local presenters any more than audiences in England
- The cultural differences between different parts of Scotland are no greater than those within Approved Areas in England
- The proposed Areas in Scotland would be smaller than elsewhere in the UK except Northern Ireland. Even if the whole of Scotland was made a single Approved Area it would still be smaller than 6 of the 8 Approved Areas in England
- Having no Approved Area for Northern Scotland risks stations there becoming uneconomic
- The proposal could have the perverse effect of reducing the overall amount of programming we produce for Scotland, as requiring us to maintain local studios across the country means that money cannot be invested in Scottish content, which could force us into more networking across the UK

We note that Bauer is the only broadcaster in Scotland to be affected by the current proposal. We suggest there are three options we would be happy with

### **1. A single Approved Area for the whole of Scotland**

Our preference would be for a single Approved Area for the whole of Scotland but we recognise that this would not secure local news and information.

### **2. Existing Approved Areas retained but with the ability for stations to co-locate and share across Scotland in return for more Scottish programming**

Our second preference is for an alternative, as follows:

- The existing Areas would be retained, so securing local news and information
- Stations may apply to co-locate anywhere in Scotland and share all programmes except local news and information with other stations in Scotland in return for having a new condition in their licences affected requiring them to provide programming from and for Scotland throughout weekday daytimes (6am – 7pm).

This would provide the freedom we require to produce the best content for listeners in Scotland, ensuring the continuation of both Scottish programming throughout daytime and the local news and information that audiences value. This proposal would only impact Bauer as no other broadcaster is affected by Ofcom's current proposal and so need not apply for this change.

### 3. Two Approved Areas in Scotland; North and South.

If neither of the above options is acceptable then Ofcom should revert to its original proposal of two Approved Areas in Scotland: North and South.

We look forward to Ofcom's conclusions and hope that these will be implemented as rapidly as possible.

#### About Bauer Media UK

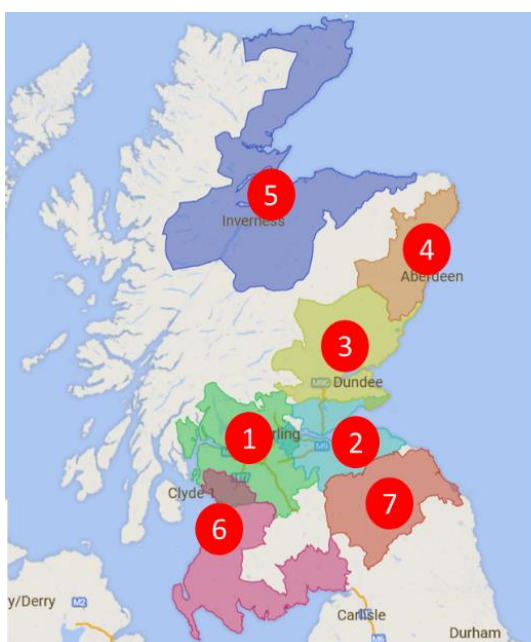
Bauer Media UK is an entertainment network of high-quality, high-profile, multi-platform brands. The business became part of the Bauer Media Group, Europe's largest privately-owned media group, in 2008. Founded in Hamburg in 1875 and now in its fifth generation of family ownership, the Bauer Media Group operates in 19 countries including the UK, Germany, Poland, Australia, New Zealand and the USA and has 11,000 employees worldwide.

In the UK we reach over 25 million consumers. Our radio portfolio includes national stations such as Kiss, Magic and Absolute Radio alongside 22 strong heritage local radio stations around the UK, including 12 in Scotland such as Clyde 1, Forth 1 and Moray Firth Radio. We recently relaunched our local FM station in Manchester as Hits Radio (Manchester), providing not only local news and information but also becoming the home of our new national digital radio station Hits Radio and we are about to launch Greatest Hits Radio across the country. We also operate magazine brands including heat, Grazia, Empire, Motor Cycle News, TV Choice and Take a Break. Our scale, coupled with the breadth of our portfolio, gives us an advantage over pure play magazine or radio competitors.

In an era where audiences are ever harder to categorise, we build strong cultural connections, drawing people together with the things that they really care about. Our brands become the lens through which our audiences see the world.

Our radio services reach over 17 million listeners every week and account for 33.2% of total commercial radio listening. Within that total, our local services, operating from 22 bases around the UK, reach almost 7 million listeners a week.

In Scotland we operate 12 radio stations spread around the country. Scottish audiences consume 17.8m hours of our local stations every week, accounting for 62% of all listening to local commercial radio in Scotland.



- 1 – Glasgow: Clyde 1, Clyde 2
- 2 – Edinburgh – Forth 1, Forth 2
- 3 – Tayside – Tay FM, Tay 2
- 4 – Aberdeen –Northsound 1, Northsound 2
- 5 – Inverness – Moray Firth Radio
- 6 – Ayr – West FM, West Sound
- 7 – Borders – Radio Borders

They are attracted to our services not just by the range of music we play but by the strong line-up of presenter talent, both locally and nationally, and our commitment to local news and information. In an era

of fake news and unverified stories on social media, listeners value and trust the news we provide, which is required to be accurate, balanced and truthful.

Our stations across the UK employ 80 journalists who live and breathe the areas they cover. In Scotland our local stations employ 24 staff journalists and 7 freelance journalists. Our journalists break stories, and undertake investigative local journalism. We provide lots of local news and will continue to do so, regardless of any regulatory requirement. Indeed we are happy to accept new regulation to protect provision by the industry in this important area.

We have invested heavily in digital radio, operating 12 local multiplexes across the UK (including 4 in Scotland), with a share in three more, and we are a major shareholder in the second national multiplex, operating nine national DAB radio services and expanding the output of our local services to provide spin-off services, each of which provides local news and information.

We also make an important contribution to the local, Scottish and UK economy, not only by providing employment but also by supporting local businesses with for example a “million pounds of work” working with local business and jobseekers to our work with independent producers and the broader creative industry. And we support the UK economy by paying our company and all relevant taxes here in the UK.

Our stations employ well over 1,100 people across the UK, and we are committed to developing our talent through training and to reflecting the diversity of the UK, bringing new people into radio.

In 2014 we launched the Bauer Academy, a government registered training provider with the Skills Funding Agency and is recognised as a Centre to deliver AIM Award qualifications, providing multimedia training at 22 sites across the UK. Our team of leading academics work alongside media professionals to design and deliver training programmes that make a remarkable difference to individuals, communities, and businesses. Our training is immersed inside one of the biggest media companies in the world, providing exciting and meaningful work based learning. Our approach is refreshing, and it works.

As well as training we also seek to provide support to the communities we serve. Cash for Kids is Bauer Radio’s network of local charities, which operate across 21 areas around the UK. Our mission is to respond to the needs of children in our communities, and we aspire to enable all children to live life to the full and achieve their individual potential. In 2017 we raised over £23m. We support UK-wide appeals, such as the recent DEC appeal for East Africa.

We do all of this as a company which is a morally robust commercial enterprise, seeking to grow its business.

## Why we disagree with Ofcom's latest proposal for Approved Areas in Scotland

In its original consultation, Ofcom noted how things have changed since 2010 when it last considered localness regulation:

- Local analogue radio stations have faced increasing competition for both listeners and advertisers. This competition is coming from music streaming services such as Spotify and Apple Music, as well as from other radio services which are either not regulated (internet radio) or are regulated less than analogue services (DAB and other digital broadcast platforms).
- There has been a noticeable shift in listening patterns over the past decade away from local commercial radio stations to national commercial radio as listeners now have a much greater choice of national radio stations available to them on the DAB platform. Over half of all radio listening is now to digital.
- There is also currently a difference, particularly with regards to 'localness' requirements, between the considerably 'lighter touch' regulation of services broadcast on the DAB platform compared to the regulation of those which are broadcast on analogue (AM and FM) radio.
- Ofcom noted that commercial radio has argued for a more level playing field between analogue and digital services, enabling it to be more flexible and compete more effectively against unregulated music streaming services and internet-only stations. Bauer has long argued that we should be allowed the freedom to decide how best to serve our audiences by investing in content rather than bricks and mortar.

Ofcom's proposals reflected these concerns and set out a number of changes to localness regulation on commercial radio which we broadly welcome, although we did argue for larger Approved Areas than Ofcom proposed, including a single Approved Area for Scotland. Ofcom confirmed its proposals with the exception of Approved Areas within Scotland and Wales

We completely disagree with the proposal in Ofcom's current consultation not to proceed with changes to Approved Areas in Scotland. All of the arguments and evidence put forward in Ofcom's original consultation stand, as does our submission to that consultation and we will not repeat them here.

The rest of this submission focuses on our arguments against the specific proposal to maintain the two existing Approved Areas in the south of Scotland and not to create an Approved Area for the north of Scotland.

### 1. Only Bauer is affected by these proposals

Before making our arguments we would point out that Bauer is the only broadcaster in Scotland to be affected by Ofcom's new proposal.

Global (Heart Scotland) and Communicorp (Capital Scotland) each operate stations that are regional, covering the whole of the central belt. They are therefore already covering the two proposed Approved Areas with single stations. Global also operates Smooth in Glasgow but has no other Smooth stations elsewhere in Scotland. Global and Communicorp are therefore already effectively operating a single base in Scotland. We also note that the proposed Approved Areas in the central belt will be the only ones in the UK which are smaller than the regional FM services which serve them.

Other smaller broadcasters only operate single stations which sit entirely within the existing Approved Areas and so are not affected.

What this means is that Bauer is to be penalised by virtue of having more of its local stations in Scotland, while the largest UK commercial radio player, Global, has the majority of its licences in the Midlands and South of England.

It also means that any suggestions we make in this submission to change the proposals would affect only Bauer.

## 2. Local commercial radio is losing audience in Scotland

Ofcom stated that one of the reasons for deregulating localness on commercial radio is that “there has been a noticeable shift in listening patterns over the past decade away from local commercial radio stations to national commercial radio” noting that “ten years ago, local commercial radio services accounted for 30.3% of all radio listening, with national commercial radio accounting for 10.7%. Ten years later, local commercial radio’s share of listening is down to 27.4%, with national commercial radio increasing by over seven percentage points to 17.5%”. According to Rajar, listening hours for local commercial radio across the UK are down by 17% between Q3 2010 and Q3 2018.

This shift has been seen in Scotland too. While hours of listening to commercial radio across Scotland are almost identical today as they were in 2010 at 43.8m, listening to *local* commercial radio stations in Scotland has fallen by 13.4%<sup>1</sup>. As elsewhere in the UK, this inevitably leads to commercial pressures on these stations.

## 3. Audience research

Research by RadioCentre suggests Scottish audiences value local news and information more than listeners in the rest of the UK. But there is no evidence that Scottish audiences value local presenters any more than elsewhere.

We accept the audience demand for local news and information by Scottish audiences is high and we will continue to provide it at a local level for commercial reasons, regardless of Approved Area definitions. However, we would be happy to have this requirement written into our licences in Scotland if the current proposal for Approved areas is dropped and if this satisfies the concerns of others.

We note that regardless of Approved Areas, local news has for a number of years been able to be presented from anywhere. What matters, rather than the location of the newsreader is having journalists on the ground in each area (as required by Ofcom’s localness guidelines). The fact that Tay FM’s news bulletins have been read from Glasgow for a number of years does not appear to have been the cause of any complaints of lack of relevance or quality of those bulletins by audiences in Dundee.

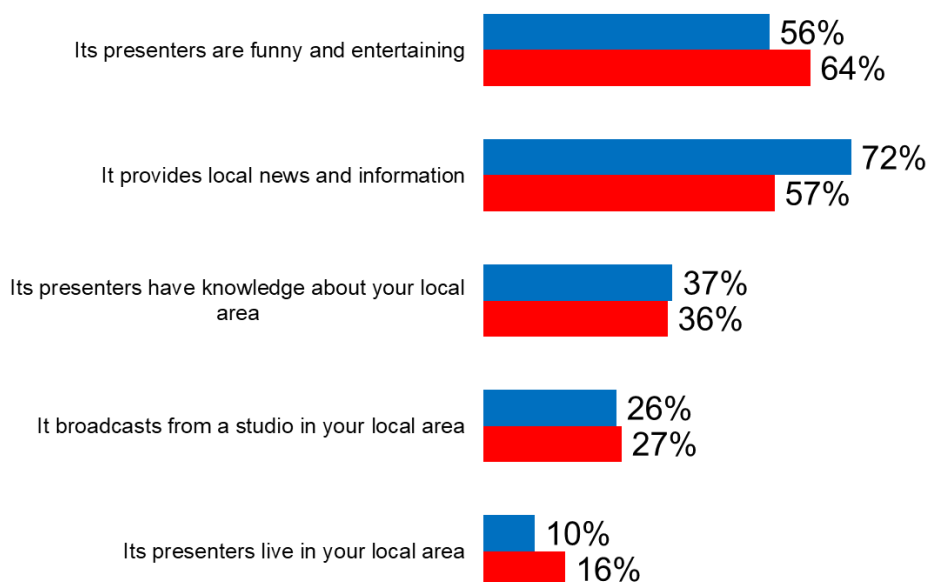
Scottish listeners are far less concerned with where the programmes are made; the figures are almost identical to the results for England. Scottish audience are even less likely than those in England to worry about whether presenters live in the local area.

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<sup>1</sup> Rajar Q3 2010 vs Q3 2018

Twice as many commercial radio listeners rated providing local news and information in their top 2 as broadcasting from the local area.

**Mentioned in top 2 rankings**



Source: Research by Kantar for RadioCentre, 2015

Q. Thinking about <QCOMSTATION>, please rank the following in terms of importance by inserting numbers from 1 to 5 in each box (1 being the most important factor and 5 being the least important factor)

Base: Commercial radio listeners N=2207

#### 4. Cultural differences within Approved Areas

We recognise that within any region or nation there are cultural differences. This applies just as much within the English Regions that Ofcom has defined as Approved Areas as it does within Scotland.

For example in the North West of England there are cultural differences and rivalries between Liverpool and Manchester, just as there are between Glasgow and Edinburgh. Similarly Carlisle and Manchester are very different from each other, as are Inverness and Glasgow.

We have seen no evidence to support the assertion that Scottish audiences are more diverse in their views or culture than those within the English Approved areas.

We also note that other broadcasters (STV, BBC Scotland) seem to be able to create services that appeal to the whole of Scotland, demonstrating that Scots have more in common than not.

#### 5. Inconsistencies in size of Areas

We recognise that it is impossible to make all approved areas across the UK the same size, but Ofcom did have regard in setting the areas not to make them too small (e.g. in the South West of England where the South West and West ITV regions were combined into a single approved area).

<b><u>Approved Area populations</u></b>	
London	10.0
South	6.8
Midlands	6.4
North West	6.2
West	4.8
Yorkshire	4.8
East	3.1
Wales	2.9
North East	2.2
Glasgow	2.3
Edinburgh	1.3
North	<u>1.0</u>
Scotland	4.6
Northern Ireland	1.5

The new proposal for Scotland would make the Edinburgh and the Borders approved area the smallest in the UK at a population of 1.3m (apart from the non-area of Northern Scotland which would be even smaller at 1.0m).

Not allowing stations in Northern Scotland to be part of an approved area is even more perverse given the small population. It could lead to Moray Firth radio becoming uneconomic. Stations the size of MFR are marginally profitable when they are dominant in their area – with increased competition and fragmentation of audiences we can foresee a time when MFR would become loss-making, which could lead to its closure.

Were the whole of Scotland to be an Approved Area for Ofcom purposes, which we argue it should, it would still be smaller than all but 2 of the 8 approved areas in England.

## 6. Perverse outcome

We understand the importance of Scottish output and particularly local news and information to both Scottish audiences and to the Scottish Government. However, Ofcom's new localness guidelines and the current proposal for Approved Areas in Scotland could have the perverse outcome of resulting in less Scottish output than at present.

Ofcom's new localness guidelines and revised proposal for Approved Areas would guarantee local news and 3 hours a day of local programming in each approved area (or single stations in the case of northern Scotland) but allow for the remaining 21 hours a day to come from anywhere – that could be London or Manchester. Having also removed a requirement for programming to be local at breakfast this means that there may be no Scottish-produced or presented breakfast shows on commercial radio in large parts of Scotland, with only the smaller independent stations such as Kingdom FM or Central FM left producing them.

At present we produce all of our weekday daytime output in Scotland for both our FM and AM networks and have no plans or desire to change that. However, being forced to invest in buildings and local presenters for 3 hours a day in each area mean it may become uneconomic to continue to provide Scottish output throughout the rest of daytime. We do not believe this is in the interests of listeners.

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