



The BBC and the Future of Public Service Audio Content

A Response to the Green Paper on Charter Review

Summary of Key Points

- The BBC remains the cornerstone of public service broadcasting in the UK -its ability to make a range and diversity of high-quality content remain highly relevant in today's media landscape
- The BBC should remain well-funded and with the concept of universality at its heart
- Although at times neglected in the discussions around Charter Review, radio remains a very popular medium and is an important part of people's lives
- BBC Radio services' funding should be ring-fenced against any future cuts
- The BBC's radio services are unique and we do not regard them as stifling the commercial sector. Rather the BBC's investment in the creative sector means that there are more creative resources - in terms of companies, skills, talent and creative ideas - at the disposal of commercial operators
- However the BBC will also be rightly challenged to be innovative and distinctive and we believe that the vibrant independent audio and radio production sector, made up of around 150 SMEs around the UK, is in a good position to work more closely with the BBC to ensure this is the case
- Currently a maximum of 20% of the BBC hours are available to the independent production sector. We welcome plans for the BBC to make 60% of its eligible radio hours open to competition from the independent production sector and would expect this target to be written into the Charter and Agreement
- There also needs to be a level playing field in terms of the commissioning structure so that those deciding from whom to commission have no formal link with in-house production
- The BBC needs to do far more to ensure its commissioning structure allows more commissioning from production companies outside the M25
- In terms of funding we believe the Licence Fee is sustainable over the next charter period providing it is adjusted to include i-player catch up but equally the idea of a household levy is an interesting one
- The BBC's governance and regulation need to be reformed in order that there is a clear separation of regulatory functions from the BBC executive. A unitary board with sufficient scope, plus external regulation, perhaps from Ofcom, would seem to be a practical solution

1 Introduction

1.1 *The Radio Independents Group*

- 1.1.1 The Radio Independents Group (RIG) is the trade body for the independent audio-led production sector in the UK. RIG provides business affairs support, policy representation, and negotiates terms of trade with the BBC. RIG also produces the annual Radio Production Awards¹, which uniquely recognise and celebrate the production skills of radio and audio producers across the whole industry.
- 1.1.2 In association with the Department for Business Innovation & Skills and Creative Skillset, RIG has also established RIGtrain², a £350,000 training programme which is on course to reach more than 800 learners over a period of 18 months between November 2014 and March 2016.
- 1.1.3 Around 434 learners had been on the day courses by the end of August this year. In an encouraging sign for meeting concerns around diversity in the media, of those attending around 22% rated themselves as other than white British, 58% were women, and 3% had a registered disability. In the wake of this success RIG has now established a Black Asian & Minority Ethnic (BAME) and disabled mentoring scheme to further help increase diversity in the sector³.

1.2 *The importance of Radio in delivering public service content*

- 1.2.1 To make the right decisions about the BBC as a whole, it is crucial to take fully into account the importance and continuing relevance of audio, as a highly effective platform through which to deliver public service content.
- 1.2.2 Radio remains a very powerful medium which establishes a direct and personal relationship with each listener. The proliferation of devices such as smartphones and tablets has made it possible for listeners to download and / or stream content on the move. Audio has the advantage of not needing someone's visual attention, and in addition it maintains the intimate feel of radio which makes it continue to be such a popular medium. Research conducted last year by the Radio Advertising Bureau and The Sound Agency found that:

'radio reach remains stable meaning it continues to be the dominant audio channel, accounting for 70% of all time spent listening. However, on-demand listening has increased the weekly reach of the total audio audience.'⁴

- 1.2.3 The report also demonstrated the continuing importance of radio to audiences:

'Audio, whether 'owned', 'on-demand' or 'live radio' was shown to play a significant role in people's lives, meeting six different 'need states':

- Help me escape

¹ <http://www.radioindies.org/index.php/services-open-to-all-new/rigradio-academy-radio-production-awards>

² <http://www.rigtrain.co.uk/>

³ <http://www.rigtrain.co.uk/index.php/diversity-scheme/diversity-mentoring>

⁴ Growth in audio turns up the volume for advertisers. Radio Advertising Bureau press release, 30 Sep 2014

- Amplify the moment
- Lift my mood
- Broaden my horizons
- Provide social currency
- Keep me in touch'⁵

1.2.4 The BBC's latest annual report showed that Audience appreciation of BBC radio had risen to 80.2% (up by 0.1% from 2013-14)⁶.

1.2.5 This popularity is evidenced by the latest RAJAR figures which showed an increase in radio listening in the second quarter of 2015:

'48.2 million adults or 89.9% of the adult (15+) UK population tuned in to their selected radio stations each week in the second quarter of 2015. This is up by approximately 385,000 adults on the last Quarter (Q1, 2015). The total average number of weekly hours listened to radio for this quarter is 1.05 billion'⁷.

1.2.6 Amidst concern about younger audiences, it is encouraging to see also that 36% of 15-24 year olds listen to the radio via a mobile phone or tablet at least once per month, an increase from 21.6% in 2012. And this age group is increasingly interacting with shows and presenters on social media⁸.

1.2.7 The BBC plays a wider range of music than commercial stations. For example figures⁹ show the overlap between tracks played by the BBC and the commercial sector is minimal - only 3% of the tracks played on Radio 1 are also played on Capital.

1.2.8 Radio 1 also plays 4,868 tracks a month compared to 398 on Capital FM. This includes new music, and radio has the powerful ability to help new talent to come through. It is notable that Ofcom's latest Communications Market report found that;

'Just over two-thirds (65%) of adults who try to discover new music use radio as a source for finding it. Across all the age ranges (Figure 3.12), more than half use radio to find new music'¹⁰.

1.2.9 The BBC's radio services are therefore a key factor in its continuing importance to the public. Statistics on listening patterns show it remains a powerful way of reaching the British public with public service content that is stimulating, engaging and which comments on and / or teaches us something new about the world they live in, as well of course of ensuring they are able to enjoy a wide mix of music, much of which is not available on commercial radio.

⁵ Growth in audio turns up the volume for advertisers. Radio Advertising Bureau press release, 30 Sep 2014

⁶ Annual Report and accounts. BBC, July 2015

⁷ RAJAR/Ipsos MORI/RSMB Q2, 2015

⁸ RAJAR/Ipsos MORI/RSMB Q2, 2015

⁹ The BBC in the next Charter period (statistics document). BBC, 2015, Slide 3

¹⁰ Communications Market Report. Ofcom, August 2015, p219

- 1.2.10 Nevertheless RIG is concerned that much of the debate around the Charter so far has focussed on TV, with the main battle lines being drawn around whether or not the BBC should be producing popular shows such as 'Strictly' or 'The Voice'. Meanwhile the BBC continues to provide many high-quality and relatively distinctive radio services, which provide a backdrop to their lives, and of which they are not even consciously aware: the recent deprivation study carried out by MTM found that participants:

'were surprised by the range of services that the BBC produces (not all were aware that BBC Radio and Online services were included in the licence fee cost)'¹¹.

- 1.2.11 The power of radio to gain a loyal and committed following even in an age of so many media distractions was proven by the high-profile campaign to prevent the closure of BBC Radio 6Music. The fact that once they knew about it, many more people began to listen showed that there had never been a fault with the service's ability to attract listeners, it simply hadn't been well-publicised enough. Whilst some criticise the BBC for cross-promoting its services, RIG would see doing so as a logical extension of the BBC's remit to inform, educate and entertain by informing the viewer and listener of other content to which they might wish to listen.
- 1.2.12 Ultimately, whilst we believe these services could offer more diverse programmes and ensure they continue to be distinctive and not impact upon commercial radio stations, it is an important part of what the BBC does, with 65% of the UK adult (15+) population listening to BBC Radio each week¹².
- 1.2.13 RIG therefore asks for proper consideration of radio in the Charter Review, including: a ring-fencing of radio budgets; ensuring that BBC radio services remain accessible via supporting radio-friendly platforms in emerging technology; requiring the BBC to properly reflect the nations and regions by improved commissioning practices; ensuring the continuing distinctiveness of BBC radio services.
- 1.2.14 Radio budgets, which used to keep pace with inflation, have in recent years declined in cash terms and even more so in real terms. This cannot continue without impacting on programme creativity and quality in ways which will be noticeable by the listener.

1.3 *How indies can maximise the benefit of BBC Radio*

- 1.3.1 Today's BBC is the custodian of much-cherished radio services, but like every other form of media, radio is changing. The BBC has begun to recognise the coming together of different forms of media, hence its creating genre departments responsible for comedy and music respectively, which combine radio, TV and online.

¹¹ Life Without the BBC - Household study. MTM, August 2015, P3

¹² RAJAR/Ipsos MORI/RSMB Q2, 2015

- 1.3.2 Looking forward, the BBC's commissioning process needs to account for the fact that audio services, and the producers making the content for them, will continue to change and develop to accommodate different listening habits, which in turn are partly fuelled by new technology.
- 1.3.3 The curated music show is no longer the preserve of broadcast radio - services such as Mixcloud provide access to countless curated music 'shows', albeit with less presenter input. There are also plans to develop services which incorporate personalised weather and news with a person's preferred playlist.
- 1.3.4 The BBC itself is looking to develop a new type of personalised experience in radio, which: "will combine live and on-demand audio with music playlists and regular updates for news, sport, travel, weather and other alerts ... It will automatically combine live radio with on demand programmes, clips from services like In Short, music recommendations and news and travel updates. It will support varied schedules that mix speech, music and news and bring together local and Nations news and radio alongside our national stations and the World Service"¹³.
- 1.3.5 Indie radio production companies operate in a variety of ways - the larger companies have their own studios, whilst even the smaller ones have their own essential recording equipment and specialist production software such as Sadie. What they have in common is flexibility. Indie radio production companies are able to work on a production either within a broadcaster's own facilities or separately outside them. The key is that they are not bound by circumstance to one method or the other.
- 1.3.6 In the few cases where they have been given the opportunity, indies have proved adept at integrating their productions into the BBC's music radio networks. Smooth Operations' Radcliffe & Maconie show is the most listened-to daytime programme on BBC Radio 6 Music, and two of Radio 2's most popular weekend sequence shows - Pick of the Pops and Sounds of the 60s - are produced by Unique The Production Company (part of 7digital).¹⁴
- 1.3.7 Somethin' Else founder Jez Nelson outlined the possible shape of the future in his speech to the Radio Festival in October 2014:

'My view is that those sources (of content production) will change and become more diverse and exciting as opportunity increases. What sort of producers and companies will Radio 1 want to be working with in 2017? My view is they will no more be purely Radio production companies than Radio 1 will be a pure radio brand. Some of the most interesting - certainly the most popular journalism - happening right now is on places like BuzzFeed, Medium, Slate and Vice Media. Surely we want to get that talent interested in working for Radio 4 and 5 Live? The BBC in general and BBC radio specifically needs to make it possible for the most interesting content makers to work with them - inside or out - whether they have a BBC staff number or not.'¹⁵

¹³ <http://www.bbc.co.uk/blogs/aboutthebbc/entries/414a928e-a9a9-494e-bacb-8f2f12ac12bb>

¹⁴ Source - RAJAR figures Q4 2014

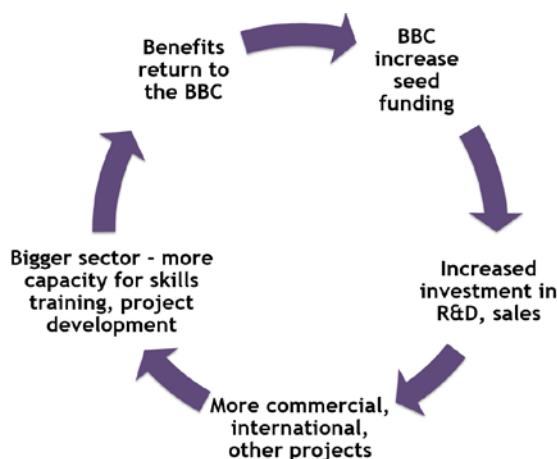
¹⁵ Spotlight on Indies - Radio Festival Speech. Jez Nelson, delivered on Wednesday 15th October 2014.

<http://www.radioindies.org/images/documents/JN%20Radio%20Festival%20Speech%20-%20for%20website.pdf>. Accessed 19 Feb 2015

- 1.3.8 There are also technological challenges, for example it is important that manufacturers of car entertainment dashboards build in quick and easy functionality to allow radio to be enjoyed easily. RIG fully supports Radioplayer's digital dashboard initiative and welcomes the fact that it is gaining traction within the industry¹⁶. We would ask the government to continue to do what it can to promote this initiative and encourage manufacturers to engage with it.
- 1.3.9 Radio has the time and space to tell stories and engage with the listener directly in an interactive way in a way that TV does not. An example is the 606 football phone-in show, produced by three different indie companies since 2003, (which incidentally demonstrates that using external producers is not just about competing with in-house for the best ideas, but indies competing against each other). Similarly the multi-award-winning Radio 5live Danny Baker show has, through its presenter's relationship with Campbell Davidson Media, created a unique listener engagement.

1.4 *The Economic Case*

- 1.4.1 RIG believes the benefits to the licence fee payer from a greater partnership between the BBC and the independent production sector are clear. The following illustration seeks to demonstrate that the more the BBC invests in the creative production sector, the greater the returns to the Corporation in the form of revenues and the best ideas for future programmes and formats with which to inform, educate and entertain the licence fee payer. The existence of multiple sources of commissions means that it is possible for the indie sector to grow and have the capacity to deliver the type of content the BBC provides across its own audio services.



Circle of Creative Investment (RIG 2015)

- 1.4.2 But overall radio has a bright future, providing the ecology which makes up the sector remains strong is maintained. The BBC is a vital part of this ecology, because whilst indies are continuing to diversify in their activities, the BBC remains a major economic driver and its importance to the sector is great. It is important

¹⁶ https://www.radioplayer.co.uk/sites/default/files/06.05.15_radioplayer_android_auto_final.pdf

to note the conclusion of Ofcom's recent Public Service Broadcasting review which stated that: "The BBC remains the cornerstone of the PSB system and is the key driver of investment across the system"¹⁷. This is as true for radio as it is for television, if not more so.

- 1.4.3 People can build businesses and a track record on the back of BBC commissions. It gives them the profile and ability to scale up if necessary to take their businesses to the next level.

1.5 *The BBC and indies - creating a level playing field*

- 1.5.1 RIG was set up in 2004, following the enshrining of the TV terms of trade in the Communications Act. Through RIG, indie radio producers successfully negotiated a similar deal regarding their IP rights with the BBC, although that remains voluntary and not in legislation. There are other differences between the treatment of indies in radio and television.

- 1.5.2 Whilst the BBC Agreement requires the Corporation to commission a 'suitable proportion' of programmes from independent companies, the level of this is voluntary and has been at 10% since 2006. Furthermore whilst a Window of Creative Competition (WoCC) for radio was introduced by the BBC Trust in 2010, this also was set at 10%, with no further steps to increase it over time depending on the result. This contrasts starkly with the 25% quota and 25% WoCC which BBC TV has had as a legal requirement since 1990 and 2006 respectively.

- 1.5.3 RIG therefore greatly welcomed the fact that Lord Hall's first speech on 'Compete or Compare' talked of 'a competition revolution' and that he asked:

'Can we extend competitive access for independent producers in radio, if that will mean broader choice and better ideas?'¹⁸

- 1.5.4 Following this the BBC announced in July year that it planned to increase the opportunities to indies by opening up 60% of eligible radio hours to competition from external producers¹⁹. RIG welcomed the fact that after many years of discussing the issue with the Corporation, there was such a decisive move towards greater competition for ideas and quality programming for the listener.

- 1.5.5 Whilst some have characterised this as 'outsourcing' to suppliers to simply save money, the reality is very different. Indie radio producers are already responsible for many of the BBC's most critically-acclaimed radio shows. Indeed the basis for greater competition is to be on the quality of ideas and programmes, not the lowest price offering, and we believe the value of work commissioned from indies should be measured and reported and in proportion to the number of hours.

¹⁷ Public Service Broadcasting in the Internet Age: third review of PSB. Ofcom, July 2015, p7

¹⁸ Speech given by Tony Hall, BBC Director-General, at City University in London on Thursday 10 July 2014

¹⁹ BBC and RIG set out 'Compete or Compare' plans for radio. BBC Press Release. 25 June 2015.

<http://www.bbc.co.uk/mediacentre/latestnews/2015/compete-or-compare-radio>

- 1.5.6 RIG is now discussing with the BBC how it ensures that there is a clear and timely process towards the implementation of this Compete or Compare strategy. We would want that timetable and the 60% figure to be clearly written into the Charter and Agreement, in order that the policy was set and both the BBC and the indie sector could proceed with respectively reforming services and starting and building businesses to take forward what will be a very exciting new era in quality diverse audio production in the UK.
- 1.5.7 RIG is also discussing with the BBC how the commissioning process would be structured in order that there is a level playing field in terms of both in-house and out-of-house and also for indies based outside the M25. The commissioning structure is absolutely key in determining the extent to which objective and independent decisions are being made on commissions.
- 1.5.8 RIG has developed the following key principles for how the commissioning process should work to ensure that the best ideas are commissioned regardless of source.

RIG COMMISSIONING PRINCIPLES

Principle 1: the best idea regardless of source

- Wherever possible, a broad, open approach to commissioning, welcoming all proposals
- Processes must still allow nimble, reactive commissioning when required
- Criterion: qualified supplier with relevant track record

Principle 2: a truly level playing-field

- between in-house and indie
- Between large and small, established and new indies
- Regardless of location, and representative of the UK's nations, regions and communities

Principle 3: complete separation of commissioning decisions from management of in-house production

- Commissioning decisions may not be taken or influenced by anyone with direct or indirect ('dotted line') management of in-house production
- Commissioning editors and in-house production units to move to working across networks and locations, as in television

Principle 4: transparent process

- Independent, third-party monitoring of commissioning processes, including complaints
- Measurable objectives, with transparent performance reporting to a third-party

- 1.5.9 The BBC needs also to fully and publicly recognise the importance of indies to its radio schedules both now and in the future. Despite repeated requests from RIG and individual companies, the BBC still largely fails to publicise the name of the production company in many of its written communications about programmes, including in its annual report where this year, as in previous years the only mention of radio indies was in the compliance section of the report in relation to the Quota and WOCC. This is despite an indie having been named 'International Production Company of the Year' at the New York International Radio Festival Awards, for a BBC production²⁰ - and that is just one example among many. This point is important not only to give credit where it is due but also to demonstrate how the Licence Fee supports the wider creative community, not just the BBC.
- 1.5.10 There are also other ways in which the BBC needs to acknowledge and work with the sector more. As stated above the RIGtrain programme has a diverse attendance among learners, and in addition we are running a BAME and disabled mentoring scheme. This is in contrast to the BBC which appears to disregard radio in its own plans on diversity, stating in its Charter Review submission:
- 'We will go further with a new BBC Diversity Strategy for the next five years. For example, we want to work with the independent production sector to reach our targets and ensure diversity is at the forefront of programme-making. We will be arranging a consultation in the autumn, in partnership with PACT, to bring the sector together and explore this further.'²¹
- 1.5.11 We regret that RIG (which as we show is already working to address these issues) and by implication radio has been left out of the BBC's plans regarding this agenda, and will ask the BBC to include the Radio Independents Group in this process to address this disappointing omission.

²⁰ TBI Media for 'D-Day 70 Years On', a production which won a record number of awards at the event.
<http://radiotoday.co.uk/2015/06/tbi-media-repeats-success-at-new-york-awards/>

²¹ Submission to the Department for Culture, Media and Sport's Charter Review public consultation. BBC, October 2015, p43

2 The Green Paper - Answers to Questions

Why the BBC? Mission, purpose and values

2.1 *How can the BBC's public purposes be improved so there is more clarity about what the BBC should achieve?*

- 2.1.1 RIG agrees with the idea of public purposes and believes that most of the current six purposes are relevant, but are broad and require greater definition. For example the purpose requiring it to support the creative industries could be more clearly defined, measured and regulated. And we detail below how the BBC has clearly not succeeded in meeting the purpose of 'Representing the UK, its nations, regions and communities'.
- 2.1.2 We do question the purpose that the BBC should '*in promoting its other purposes, helping to deliver to the public the benefit of emerging communications technologies and services and, in addition, taking a leading role in the switchover to digital television*'. Clearly the latter objective was a specific one which has now been achieved, but in terms of the other more general purpose, RIG has reservations.
- 2.1.3 The BBC in the past has been well-placed to seek to research and develop new technology which it can then use to distribute its services and fulfil various public service objectives, for example in terms of education. However the technological landscape has changed and by the BBC's own admission much larger organisations are now operating in the media and technology space, including content production. Netflix, Apple, and many others are increasingly becoming part of that picture and in that context we question whether it is realistic for the BBC to be trying to create new technology and software which it does not have the resources to effectively develop or market. It has also, we would contend, sometimes been independent companies - more nimble than the BBC - that have led the way in new technology products (for example Somethin' Else's 'Papa Sangre' audio-only iPhone game) and innovative techniques (for example Holy Mountain's incorporation of real current events into location drama).
- 2.1.4 Having seen some of the developments being piloted in the BBC R&D department we would question whether they will have the reach and scale to justify the time and resources spent on their development, as opposed to ensuring that the maximum amount of BBC funding goes into the quality content that is at the heart of the BBC's remit.

2.2 Which elements of universality are most important for the BBC?

- 2.2.1 RIG agrees with the concept of ‘something for everyone’ and this fits with the BBC being universally funded. Of course being universal means creating content made for all licence fee payers, content which is made by those who understand their stories, perspectives, lives and environment best, namely production companies based in or around their communities.

2.3 Should Charter Review formally establish a set of values for the BBC?

- 2.3.1 RIG welcomes the suggestion of a set of values along the lines of those proposed, in particular impartiality and independence. We suggest that as well as providing ‘value for money’ another value could be ‘encouraging independent creativity’ which would enshrine the need for the BBC to use its resources to act as an enabler for creative companies to grow their input to the BBC and the creative economy overall.

What the BBC does: scale and scope

2.4 Is the expansion of the BBC’s services justified in the context of increased choice for audiences? Is the BBC crowding out commercial competition and, if so, is this justified?

- 2.4.1 We are answering this question in conjunction with question 5.

2.5 Where does the evidence suggest the BBC has a positive or negative wider impact on the market?

- 2.5.1 In radio terms, overall RIG believes BBC Radio has a positive effect on the market. We believe it raises the game of commercial broadcasters.
- 2.5.2 We note Frontier Economics’ report on the BBC and the creative industries statement that:

“We estimate the economic impact due to changes in BBC’s spend on radio and other online services but do not assume any change in other providers’ spend in response. We recognize that other providers of radio and other online content may also change their spend in response to a change in BBC spend. But we have not found any quantitative evidence of such crowding out in the literature we

have reviewed; and any such crowding out is unlikely to have a substantial impact on our findings.”²²

- 2.5.3 So whilst BBC radio spend does not, according to expert analysis, crowd out investment in commercial radio, it could actually help generate more investment into that sector. Indies are keen to work more with the commercial radio sector but in order to do so they need to be able to work up fully-costed and often paid-for (by advertising or sponsorship) programme ideas in order to justify what is often a higher budget than commercial radio normally would pay.
- 2.5.4 Whilst logic dictates that if the BBC did not have any radio stations, listening to commercial stations would rise, this does not equate to saying the services would be as high-quality or as diverse as those made by the BBC. But when commercial operators are prepared to invest they can create high-quality radio and events which bring in current and new listeners. One example of this is ‘The Manuscript’ a comedy panel show made to BBC Radio standards by TBI Media, which included an accompanying sponsorship for a men’s health product.
- 2.5.5 The BBC is right to talk about universal appeal but part of that appeal is gained through addressing market failure and it is not a concept from which the BBC should shy away. It has a role beyond it but filling the gaps that could not be filled commercially is nevertheless part of the BBC’s *raison d’être*, in the same way that Channel 4 has a responsibility and freedom to take risks and innovate. And by commissioning more from indies the BBC is creating companies which have the resource to research and develop new ideas to pitch to commercial radio. As we demonstrate above a vibrant creative sector which is able to use the BBC commissions to establish a track record and invest in programme ideas to take to the commercial sector. In other words, the commercial sector needs the BBC’s investment in the creative indie sector in order that the sector is available also for commercial operators to work with.

2.6 *What role should the BBC have in influencing future technological landscape including in future radio switchover?*

- 2.6.1 The BBC is clearly a large broadcaster with very popular services and it is sensible for it to have a part to play in encouraging where appropriate listeners to take up new technology if it is something that will enhance their ability to consume public service content. However there are times when the Licence Fee has been appropriated for technology programmes such as broadband rollout which we do not think is appropriate as that is not the basis on which the public pay the TV Licence Fee.
- 2.6.2 In terms of a future radio switchover whilst it would bring benefits, the timing of it will ultimately be a decision taken by Government. And there is some concern that the listener may be difficult to win over. Whilst the BBC would obviously have a role in running information campaigns to explain the implications of switchover, it would not be fair for the BBC to be in a position where an

²² The contribution of the BBC to the UK creative industries. Frontier Economics, 2015, p17

appearance was given that in some way the BBC itself was responsible for the decision.

2.7 *How well is the BBC serving its national and international audiences?*

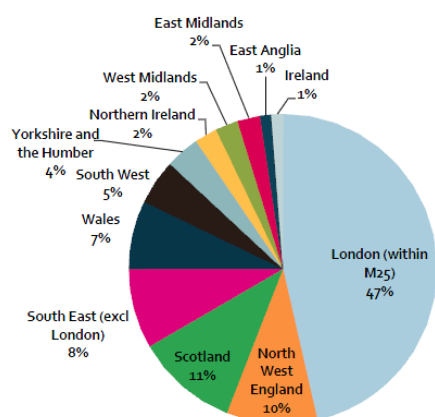
2.7.1 Whilst BBC radio services are popular, there is a growing opinion that they do not do enough to cater for the diversity of people around the UK. Diversity of content is something which relates clearly to distinctiveness.

2.7.2 The BBC Trust's recent review of BBC music services said about Radio 2:

'Radio 2's reach among BAME audiences over 35 is significantly lower than it is amongst white audiences. As Radio 2 has a remit to serve a broad audience over the age of 35, it should address this disparity.'²³

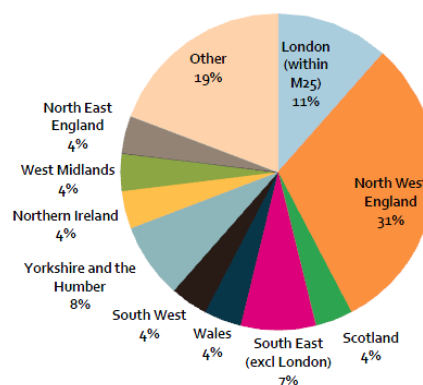
2.7.3 RIG's recent Indie Business Census gives a good picture of the extent to which indie radio producers are spread around the UK:

Location of main offices



[Source: RIG Indie Business Census 2015]

Location of other offices



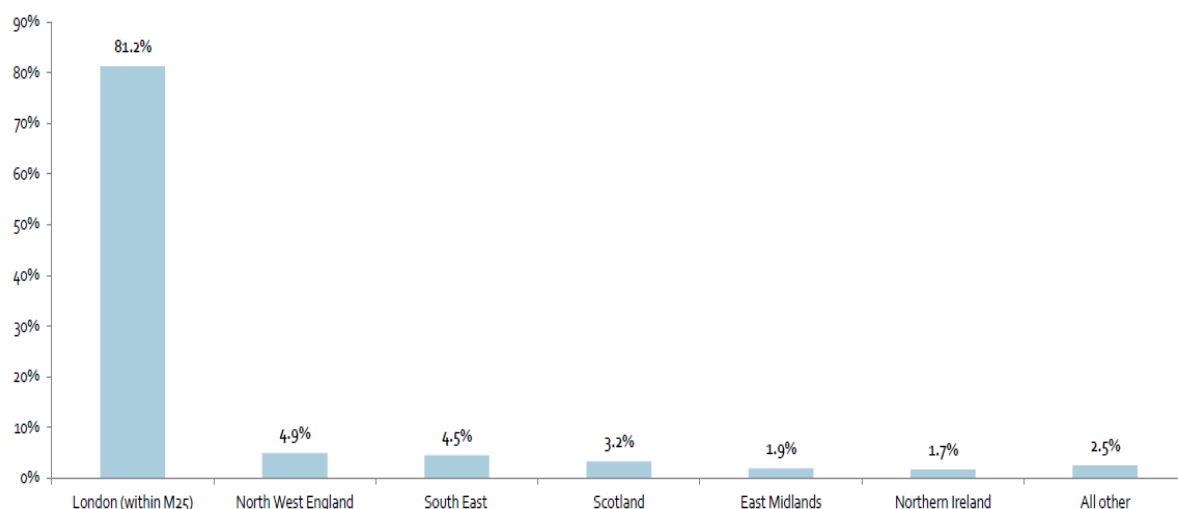
[Source: RIG Indie Business Census 2015]

[chart by Enders Analysis]

2.7.4 In contrast, the Census data showed that 81% of the BBC spend on radio indies was within the M25, which indicates strongly that current commissioning policies and structures are not sufficient to ensure producers from outside London are getting a fair opportunity to present their ideas to network in a systematic way.

²³ BBC Trust Service Review: Radio 1, 1Xtra, Radio 2, Radio 3, 6 Music and Asian Network. March 2015, p8

Share of commissioned radio programming, by location of main office (%)



[Source: RIG Indie Business Census 2015]

[chart by Enders Analysis]

- 2.7.5 This is not just demonstrated by the number of companies based outside London, but by the individual successes those companies have had where they have been allowed to compete. RIG is keen to make sure that any increase in commissioning opportunities is not just about benefitting a small number of larger companies. Any new production process will need to be one which establishes a truly level playing field between all producers of audio content, allowing them to properly compete to make programmes for the BBC's services.
- 2.7.6 Technological development means that location, at least for content production and delivery, is less of an imperative than ever. What remains is the need to establish a relationship with commissioners whose decision it is to choose a particular idea.
- 2.7.7 Whilst there have been some developments of note, for example Radio 5 Live's Northern Kicker Fund, the amount allocated to such initiatives has been low and the nature of the initiatives has been piecemeal.
- 2.7.8 In its response to Ofcom's Third Review of Public Service Broadcasting, the BBC admitted there was significant work to be done:

'It is fair to say that there is unmet audience demand for greater representation on-air and on-screen in the network services of the PSBs. This is an area that the BBC is seeking to address. The balance of spend and output between English language content and indigenous language content is also an important issue. How the BBC responds to a multi-national UK and how it supports National and regional self-expression will be key themes for Charter Review.'²⁴

²⁴ BBC. Submission to Ofcom's Third Review of Public Service Broadcasting. February 2015, p23

2.7.9 The BBC Trust Audience Councils in 2013/14 noted in its annual report that: 'The 2011 census shows how much more diverse the population of England has become since the start of the millennium. The BBC must provide programmes that appeal to this more diverse society and reflect the changing populations of all regions of England on radio and TV...We feel that drama has a key role to play in helping the BBC develop authentic portrayal and representation of life across the UK' ²⁵.

2.7.10 Following this the BBC Trust reported in its 2014/15 annual report that the Audience Councils still felt the BBC was not fulfilling its remit in respect of its diverse audience around the UK:

'This year Councils contributed to our service reviews of BBC music and speech radio. Members concluded that these services delivered the BBC's public purposes and, overall, served their audiences well, but should do more to appeal to the increasingly diverse audience groups across the UK.' ²⁶

2.7.11 It went on to say that:

'The need for authentic portrayal across the UK was a theme common to all Councils. Audience Council England noted the value and continuing importance of BBC local radio for the English heartland audience, while observing variations in the performance of the individual stations.'

2.7.12 It is disappointing that, despite being aware that there is an issue, the BBC does not appear so far to have developed any specific solution. In contrast, RIG has been working to devise a series of measures which would remedy the imbalance between the level of commissioning either side of the M25 boundary.

2.7.13 RIG first outlined its suggested approach at the Nations and Regions Media Conference at Salford in November 2014. We believe that, along with a wider set of commissioning principles which would need to be applied to ensure a level playing field between in-house and out-of-house, the following measures would ensure that the UK's perspective, stories, views and talent were much better represented on the BBC's networks.

²⁵ BBC Audience Council England Annual Report 2013/14.

http://www.bbc.co.uk/bbctrust/who_we_are/audience_councils/england/annual_review_2013_14

²⁶ Annual report 2014-15. BBC Trust, p33

RIG proposals for BBC radio commissioning in the UK nations and regions

- Each UK BBC Radio network should develop a plan setting out how they intend 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, either through more regionally-based commissioners or if the resources are not available, network Commissioning Editors holding regular meetings in the nations and regions. The plan should also include a timeline for implementation, and measurable commitments for review
- Each of the BBC's nations and local radio stations should also publish plans to commission more widely and to a greater extent from independent production companies
- The BBC should clarify and re-confirm its on-going commitment to what is currently called the 'BBC North Creative Kicker Fund', while extending its remit and funding to support independent radio production in the rest of the UK's nations, regions and communities outside London.



Spread of Radio Network Production Centres across the UK (RIG 2015)

2.8 *Does the BBC have the right genre mix across its services?*

- 2.8.1 In RIG's opinion the genre mix across the BBC's radio services is broadly correct although there are some specific concerns regarding some music genres. For example there has been a reduction in the jazz content on Radio 3, particularly in terms of the more niche forms of jazz which have very few outlets on radio but which represent some of the most experimental and innovative forms of music currently being produced.
- 2.8.2 Budget cuts introduced as a result of initiatives such as Delivering Quality First have hit particularly hard in the recording of live, contemporary jazz. The main homes for this are Jazz On 3 on BBC Radio 3 (produced by Somethin' Else), Jazz Line-up on BBC Radio 3 and The Jamie Cullum Show (Folded Wing) on BBC Radio 2. Although live performance is very important to contemporary jazz due to its strong element of improvisation, these programmes have received major cuts to their live music budgets.
- 2.8.3 Radio 3's service licence states that:
- 'Around its core proposition of classical music, its speech-based programming should inform and educate the audience about music and culture. Jazz, world music, drama, the arts and ideas and religious programming should feature in its output...The service should appeal to listeners of any age seeking to expand their cultural horizons through engagement with the world of music and the arts.'²⁷
- 2.8.4 Figures provided to RIG by Somethin' Else show that prior to September 2012, Jazz On 3 would broadcast 52 weeks a year and 85% of its programmes would feature a new live recording - either from a concert or a session. Whilst it still broadcasts 52 weeks a year, only 57% of programmes feature new recordings. This represents a more than 30% reduction in originations and almost half the schedule filled with repeats. Jazz Line-up and Jamie Cullum's show, which already featured less live music than Jazz On 3, have had cuts on a similar level.
- 2.8.5 Were there to be a cut in excess of 30% administered on live recording of classical music there would be certainly be a lot of criticism of such a decision, and we feel more attention should be being paid to the BBC's need to serve the jazz listener, and to bring it to the attention of new audiences.
- 2.8.6 As shown above indies are already operating across media formats and genres, broadening their activity to include marketing audio-TV-online crossover productions, to create experiences that can continue to draw people to listen and be excited and engaged. RIG notes the findings of the BBC Trust in its music radio services review, which states:
- 'We think Radio 1 could go further in providing speech content that supports a range of public purposes in its daytime entertainment programmes. For example,

²⁷ BBC Trust. Radio 3 Service Licence. Issued April 2014, p2
http://www.bbc.co.uk/bbctrust/our_work/services/radio/service_licences/bbc_radio_3.html

this might include ensuring that every documentary broadcast is promoted in daytime output and that more regular opportunities for enriching daytime speech are sought.’²⁸

2.8.7 For Radio 3, the review also noted that:

‘While individual programme and scheduling decisions are for BBC Radio, not the Trust, we think that the priority for Radio 3 should be to increase choice for radio listeners by maximising its distinctiveness and minimising similarities with other stations.’²⁹

2.8.8 In RIG’s view many of these shortcomings stem from a lack of diversity in ideas at the BBC, particularly in its music services where indies are largely being denied access to the core parts of the schedule. We would also echo the BBC Trust’s concerns about the need to protect the range and quality of Comedy and Drama on Radio 4, through ensuring there is sufficient budget available.

2.9 Is the BBC’s content sufficiently high quality and distinctive from that of other broadcasters? What reforms could improve it?

2.9.1 We are answering this question in conjunction with question 10.

2.10 How should the system of content production be improved through reform of quotas or more radical options?

2.10.1 Looking ahead to the next Charter period, the BBC will need to ensure that both the type of music it plays and the way that music is presented remains innovative and distinctive. In terms of content supply, RIG has long argued that without greater competition for ideas and quality in programme-making, the BBC’s services will be in danger of falling behind and losing popularity and reach over time. We are beginning to see signs of this as the lack of diversity in terms of those involved in the production of BBC content rises up the agenda.

2.10.2 RIG obviously welcomes the BBC’s Compete or Compare commitment³⁰ that it will make available, over the next few years, around 60% of eligible radio hours to competition. Our members are keen to compete to have the opportunity to make the kind of content only heard on the BBC.

2.10.3 It is important to note that this is a voluntary measure proposed by the BBC and history has shown that independent production is on safer ground when such measures are statutory, ie written into the BBC Agreement. In BBC television, the 25% independent production quota, 25% Window of Creative Competition and Terms of Trade are all written into legislation. This has given the indie TV sector the confidence and certainty to invest and expand into a global leader.

²⁸ BBC Trust Service Review: Radio 1, 1Xtra, Radio 2, Radio 3, 6 Music and Asian Network. March 2015, p8

²⁹ BBC Trust Service Review: Radio 1, 1Xtra, Radio 2, Radio 3, 6 Music and Asian Network. March 2015, p9

³⁰ BBC and RIG set out ‘Compete or Compare’ plans for radio. BBC Press Release. 25 June 2015.

<http://www.bbc.co.uk/mediacentre/latestnews/2015/compete-or-compare-radio>

- 2.10.4 Audio content producers need the same certainty in order to invest and grow their companies further, and RIG would like to see all provisions relating to competition in radio (including timescale for implementation) and also terms of trade written into the next BBC Agreement.
- 2.10.5 In addition there is the need to make the independent production quota for radio mandatory. Currently the BBC Agreement only states that there should be a 'suitable proportion' of commissioning from independent producers. But this should be a set 10% - irrespective of the BBC's intention to open up more radio hours to external competition, a stable base level of guaranteed production to the indie sector is something would encourage further investment in the industry.
- 2.10.6 To genuinely enable competition for ideas in Radio, the BBC needs to ensure its plans encompass all of its services. Our understanding from the BBC is that it would seek to implement its Compete or Compare target of 60% by having some services make much of their content open to competition, whilst other services, notably Radios 1 and 2, would continue to operate a much more restricted access to their schedules. Historically, there has been the belief that some of these services have a 'seamless' quality that requires everyone to be physically based in the same building, linking from one studio to the one next door.
- 2.10.7 But the BBC is already proving that this need not be the case. Having moved some of its services to Manchester the BBC is now introducing elements within specific shows which are being produced elsewhere. For example shows on BBC Radio 6 Music regularly feature live sessions, with bands playing in studios elsewhere in the country, having conversations and broadcasting their set despite in many cases being several hundred miles away.

BBC Funding

2.11 How should we pay for the BBC and how should the licence fee be modernised?

- 2.11.1 The TV Licence Fee has been a useful mechanism to provide universal services to the British public. Research shows public support for the Licence Fee still remains higher than subscription or other proposed funding mechanisms³¹.
- 2.11.2 However there are clear issues in terms of making sure that the use of catch-up services are encompassed within the funding mechanism and we therefore agree that the Licence Fee should be modernised. It should be more explicitly explained with any new mechanism that the funding provides not just TV services but also radio and online.
- 2.11.3 In terms of alternatives, RIG agrees that a type of household levy is of interest. The household levy is something which could serve to continue the existence of universal funding for a free-to-air BBC. Furthermore RIG is interested in the suggestion of the Secretary of State for Culture Media & Sport during his appearance before the House of Commons Culture Media & Sport Select

³¹ Ipsos MORI research <http://www.bbc.co.uk/blogs/aboutthebbc/entries/9637e45d-c96c-36c6-9e3f-af141e81cab4>

Committee on September 9th, namely that the levy could be collected alongside the council tax, which could save on collection costs.

- 2.11.4 Obviously if a new funding model were introduced it should be taken to ensure there was no net loss in funding as a result of this and in fact we would go further and argue that a move to a progressive structure could be an opportunity to restore the funding to previous levels in real terms.
- 2.11.5 Any new funding structure should certainly be universal, and linked to inflation.
- 2.11.6 Clearly things will continue to develop over the next ten years and it may be that there needs to be a more detailed conversation about the way the BBC is funded after the expiration of the next Charter period.

2.12 Should the level of funding for certain services or programmes be protected? Should some funding be made available to other providers to deliver public service content?

- 2.12.1 What certainly does need reform is the method by which the BBC agrees its level of funding. The two Licence Fee deals of 2010 and 2015 were conducted in short order and without any due consultation process or detailed analysis.
- 2.12.2 The BBC concluded that the net result of the July 2015 Licence Fee deal was a 10% loss in its funding³². Whatever the other consequences of this, RIG is arguing strongly that any cuts made to content and services should not include radio, which is already a lean production process producing benefits to the listener out of proportion to its costs. However we do recognise there are some areas where intelligently targeted cuts could improve efficiency for no loss of quality, with savings invested back into other programming.
- 2.12.3 The 2014-15 BBC Annual report showed that radio services spend had risen slightly in cash terms from £650m to £652.5m, although this is of course a real-terms decrease - it also represents a 3% fall in the share of the Licence Fee spent on radio (from 19% to 16%)³³.
- 2.12.4 The BBC needs to be more strategic about how it uses its budget - in particular it should fully realise the value of radio to its listeners and to British public life, which is disproportionately large compared to its budget but which is not reflected in its treatment during such processes as Delivering Quality First (DQF), which were applied across the board to BBC services regardless of the specific needs of those services.
- 2.12.5 The effect on radio of cost-cutting processes such as DQF is in our opinion greater than on TV, due to the fact the radio already has smaller budgets, and is therefore already nearer the point at which those budgets cannot be squeezed

³² BBC funding arrangements. Blog by BBC Director of Policy James Heath 9 July 2010.

<http://www.bbc.co.uk/blogs/aboutthebbc/entries/efa49056-e32f-4e8a-b2b4-cb215e6a0bc1>

³³ Annual Report and accounts. BBC, July 2015

further without significantly affecting quality. A recent BBC Trust report stated that in respect of Radio 4:

“Radio 4’s content costs are higher than other BBC radio stations due to the volume of short programmes with relatively high production costs ... It is important that future budget plans do not affect the quality of Radio 4’s output, particularly in new drama and comedy, where it has a unique role on UK radio”³⁴.

- 2.12.6 In addition many of RIG’s members in Wales also make TV and online content for the Welsh language broadcaster S4C, and whilst S4C receives part of its funding from the TV Licence Fee, this is separate to BBC funding and we would argue could be similarly ring-fenced to allow it to continue its role in nurturing the creative sector in that nation.
- 2.12.7 As well as ring-fencing radio funding we believe there are further efficiency measures that could be applied by the BBC to streamline production costs. Anecdotally many members cite situations where even though they have been commissioned to make a programme, they are told they must use certain BBC staff. In many cases these staff are found to be less multi-skilled than indie sector production teams and also they are paid at a higher rate, in addition to demanding expenses which can have a significant effect on the small budgets available to make more radio programmes.

2.13 *How should the BBC’s commercial operations, including BBC Worldwide, be reformed?*

- 2.13.1 The BBC has published its proposals for the creation of ‘BBC Studios’ which will incorporate much of its current in-house production and will be able to compete for commissions from other broadcasters. Whilst the proposals relate primarily to Television production, the document published by the BBC on 16th September³⁵ does also refer to moving the BBC’s in-house Radio comedy department into BBC Studios, as well as the Music television department, which is currently part of BBC Radio.
- 2.13.2 RIG members have expressed concern that when comedy goes to BBC Studios - which is owned by the BBC - it will in the BBC’s interest to buy the vast bulk of its radio comedy from its own producers, in order to retain the IP. Whilst it is important for the BBC to create and benefit financially from IP, the desire to do so could influence commissioning decisions, which should always be based on the best ideas and ability of the producers involved to successfully deliver them.

³⁴ Review of BBC Radios 4, 4 Extra, 5Live, 5Live Sports Extra. BBC Trust, August 15, P4

³⁵ BBC Studios: strengthening the BBC’s role in the creative industries. BBC, September 2015, p12

2.14 Has the BBC been doing enough to deliver value for money? How could it go further?

- 2.14.1 RIG believes that many of the BBC's high-profile difficulties over the past few years have arisen as a result of its being a large organisation with all the attendant bureaucracy and associated costs and complexity.
- 2.14.2 RIG recognises that the BBC has taken steps to become more efficient, for example by beginning to reduce layers of management and numbers of 'back-office' staff. We believe that arguments for a reduction in BBC funding do not reflect the view of the public at large. However the BBC does need to fundamentally change its structure to become a less bureaucratic organisation, which is more flexible and able to adapt swiftly to future challenges.
- 2.14.3 Whilst many of the details remain unclear, there is also the potential for the BBC Studios project to take many staff off the Corporation's payroll and reduce bureaucracy.
- 2.14.4 We would also return to the question of the relative costs of an in-house production versus an out-of-house one. Every radio programme requires a guide price to be given - an indie can argue for a higher price if a programme for example involves extraordinary expenses, for example foreign travel. And clearly for an indie staying within that guide price is necessary if they are not to make a loss on producing the programme.
- 2.14.5 For an in-house production, however the picture is more opaque. It is notable that the BBC recently attempted to benchmark the cost of an in-house production against that of a indie, but the research company could not find a way of establishing the true cost of an in-house production due to difficulty in attributing accurate percentages of the overhead costs.
- 2.14.6 Scrutiny of the value for money that the BBC provides is not going to lessen, and therefore any restructuring of radio production should include putting in place an accounting system that provides an accurate record of respective costs of internal vs external production. Indies do not base their arguments on begin simply 'cheap' but our members do have to learn to be lean and efficient due to our operating across a series of competitive markets.

BBC governance and regulation

2.15 How should the current model of governance and regulation for the BBC be reformed?

- 2.15.1 RIG agrees with the principle, proposed in different ways by both the current Chair of the BBC Trust and the Select Committee on Culture Media & Sport's 'Future of the BBC' report, of a separate BBC unitary board plus external regulator. In particular the external regulatory function needs to be far more separate and robust.

- 2.15.2 RIG's own experience of the BBC Trust has been that whilst it has consulted with our sector, it has on occasion fallen short of taking decisive steps to back up its own conclusions. The Trust's 2010 radio content supply review concluded that BBC Radio should seek to commission 'the best ideas regardless of source'³⁶. This was a far-reaching conclusion, as at the time the BBC had only a 10% voluntary quota for indie radio production.
- 2.15.3 But to reach this objective, the Trust recommended only a small increase in indie radio commissioning by introducing a 10% Window of Creative Competition (WoCC) for which both in-house and indies could compete. And when it became apparent that BBC Radio was implementing the 10% WoCC target almost entirely through putting out its lowest-audience, lowest-value programming to competition, the Trust did not take definite action even when presented with incontrovertible evidence, compiled from the BBC's own commission figures, by RIG.
- 2.15.4 RIG was also of the opinion that the Trust, whilst consulting external stakeholders to a degree, had more contact and therefore more consultation with the BBC executive. Fundamentally it does not work for the 'cheerleader-and-regulator' model on which the Trust was founded to continue.
- 2.15.5 In terms of an alternative RIG believes Ofcom has shown itself to be a robust and impartial regulator in the case of the current areas it regulates and does not see why a dedicated BBC unit at Ofcom could not perform the function of an external regulator well. Whilst Ofcom might have to recruit some extra resource, this would still seem to represent the best value for money as opposed to creating an entirely new organisation. It would obviously be important that such a 'BBC Unit' within Ofcom should not be staffed largely by ex-BBC staff. We would add that such functions as upholding journalistic standards and reviewing service licences, in addition to setting remuneration, would best be a responsibility of the unitary board.

2.16 How should Public Value Tests and Service Licences be reformed and who should have the responsibility for making these decisions?

- 2.16.1 In terms of public value tests, we believe that the new independent regulator, whether that is Ofcom or a separate body, could have responsibility for these.
- 2.16.2 For Service Licences, these could be developed by the BBC unitary board for approval by Ofcom.

³⁶ Review of Radio Independent Supply. BBC Trust, 2010, p10

2.17 *How could the BBC improve engagement with licence fee payers and the industry, including through research, transparency and complaints handling?*

2.17.1 We are answering this question in conjunction with question 18.

2.18 *How should the relationship between Parliament, Government, Ofcom, the National Audit Office and the BBC work? What accountability structures and expectations, including financial transparency and spending controls, should apply?*

2.18.1 Key to all of these areas is for the BBC to have a clear relationship with Governmental and regulatory structures which allows it to be editorially and managerially independent within the guidelines of fulfilling its remit and purposes.

2.18.2 The National Audit Office has a clear role in assessing the spending of public money and there certainly needs to be outside scrutiny of how the BBC spends the Licence Fee. Any regulatory change should involve a consideration of which organisation is best placed to scrutinise BBC spending.

2.18.3 Regarding Parliament, some scrutiny of the BBC is to be expected and sessions such as those with the House of Commons Culture Media & Sport committee on the Annual Report are valid. We would welcome a move by Parliament towards forming a joint committee of both houses in the instance of such events as Charter Review, a practice already adopted for pre-legislative scrutiny of some large bills.

2.18.4 Whilst the BBC should expect to be subject to scrutiny, equally it is fair to ensure that scrutiny mechanisms are not overly complicated or to some extent duplicating work done by others. It is clearly questionable as to whether this constitutes a good use of public resources. Again we therefore think that much of the regulation and scrutiny of the BBC should come with the remit of any new independent regulator or alternatively of Ofcom.

2.18.5 Regarding Government we would reiterate that the manner of the last two Licence Fee settlements has been very unsatisfactory, and we believe a separate organisation should be set up to assess the appropriate level of the licence fee, rather than it being the decision of Government. After all, the licence fee is not a tax (even if collected by the council tax mechanism), and BBC spending is not part of public expenditure - the licence fee is a service charge best set by a separate regulator, just as with other services.

2.18.6 Bearing in mind that one of the BBC's core purposes is to provide impartial coverage of news and politics, RIG would argue that Government and Parliament should have as little direct influence over the funding and regulation of the BBC as possible.

2.19 Should the existing approach of a 10-year Royal Charter and Framework Agreement continue?

- 2.19.1 RIG believes that the BBC has the right to stability in terms of knowing clearly its public purpose and responsibilities over a reasonable period of time. This enables it to plan and to shape its structure and services. As we have explained it is important the Charter contains the framework by which we believe the BBC can be most effective over the next 10 years, but we believe this is a suitable timeframe over which the Charter and Agreement should run. We would like consideration given to the recommendation from the Chair of the BBC Trust that this next Charter runs for the slightly extended term of eleven years, in order to move it away from the five-yearly cycle of the general election. Having the Charter Review so near to a general election provides an unhealthy backdrop to the process, bearing in mind the BBC comes under most political pressure regarding its new coverage during an election period.