



Response to Lords Communications and Digital Committee Inquiry on Future funding of the BBC

March 2022

About AudioUK

- AudioUK is the trade body for the audio-led production sector in the UK. There are over 200 audio production companies based across the whole of the UK, making high-quality radio programmes, podcasts, audiobooks and other audio-led content in a wide range of genres.
- AudioUK produces the annual Audio Production Awards and runs the successful Audiotrain skills programme, which was set up with government funding. It also jointly oversees the administration of the Audio Content Fund, which distributes a grant from the UK government to fund public service content on commercial and community radio. More at www.audiouk.org.uk

Answers to questions

- 1. How will new technologies and consumer habits change the future broadcasting landscape?**
 - 1.1 It is important to note that technologies and consumer habits have already shifted us away from a 'broadcasting landscape' to a 'media content landscape', demonstrated by the growth of on-demand platforms, including the BBC's own BBC Sounds and i-Player.
 - 1.2 Notwithstanding this, radio remains a live medium which accompanies people through their day. Listening figures remain strong - in February 2022 RAJAR announced that 49.5 million adults or 89% of the adult (15+) UK population tuned in to their selected radio stations each week in the fourth quarter of 2021¹. In addition audiences are now able to catch up on their favourite shows via platforms such as BBC Sounds and Radioplayer.
 - 1.3 The trend towards on-demand listening will no doubt continue to grow and we are seeing a growth in mediums such as podcasting, with Edison Research reporting last December that "*The UK is on par with the U.S. regarding monthly podcast listening, as both countries have 41% of the 16+ population who have listened in the last month*"². It also reported that one in four people in Britain listen to a podcast every week.
 - 1.4 It is too simplistic to assume that the presence of new large international players negates the presence of a large publicly-funded media service with the clear public purposes of the BBC.

¹ Source: [Data Release Q4, 2021. RAJAR, Feb 2022](#)

² [The Infinite Dial UK. Edison Research, 2 Dec 2022](#)

1.5 The challenge for the BBC, both in TV and audio, is to ensure it can still reach audiences when there is so much more competition for their attention. It so far has taken the approach of creating its own platform, i-Player and BBC Sounds. This incidentally also is the challenge faced by Welsh language media provider S4C, which is also funded from the TV Licence Fee and for which some of our members make TV and digital content.

2. What is the purpose of a national broadcaster?

2.1 For the purposes of our answer we are looking at the purpose of a national publicly-owned media content provider. We believe such an organisation should provide: impartial and balanced news coverage on radio and television as well as online, including factual and documentary programming. It should also provide a range of content which informs, educates and entertains. This very much includes the provision of radio services which commission unique content which would not be replicated in the commercial market if the BBC was not there to provide them.

2.2 Representing all part of the UK, reflecting diverse backgrounds and cultures, is also very important, not least as everyone pays for the BBC and so has the right to expect to see hear and content relevant to them.

2.3 The BBC is a mainstay of the media landscape, providing impartial news, creating and commissioning large amounts of diverse creative content across a wide number of genres and reporting on and celebrating the big national events of the day.

2.4 The Corporation has remained a positive presence as viewed by most of the British public, with its last annual report quoting an Ipsos MORI survey showing that 77% agreed with the statement that “The BBC is important to people in the UK for media”³.

2.5 The BBC also invests greatly in the UK’s creative industries, including its independent audio production sector. KPMG reported that for every £1 of direct economic output the BBC generated, it created a further £1.63 of output in the UK economy, and thus its total economic contribution amounts to £2.63⁴.

2.6 The BBC commissions around 200 independent audio production companies per year to produce content across its radio and audio services. The Corporation does not supply an exact figure for how much it invests in the sector, however it does commission 25.9% of eligible hours (i.e. minus news and repeats) for its radio networks from independent audio companies.

2.7 The current Charter also requires the BBC to make a minimum of 60% of its eligible (mainly non-news) radio network programme hours available for independent producers to compete for by the end of 2022.

2.8 When reviewing the BBC the government should start from the point of view that there is much of what the BBC does which is unique and that uniqueness derives from its public funding model. Culturally, it is extremely important to have a strong source of home-grown audio content which is not purely focused on market-driven objectives but which aims to bring to the nation a range of views, ideas, stories and perspectives. In radio the BBC has given rise to an appreciation of high-quality music, drama, comedy and factual

³ [BBC Annual Report 2020-21, p19](#)

⁴ [An assessment of the economic impact of the BBC. KPMG, Mar 21, p4](#)

audio content, which is now feeding into podcasting. 34.51m people listened to BBC Radio each week in the last measured quarter, Q4 2021⁵.

- 2.9 The level of investment in PSB radio by the BBC cannot be supported by commercial radio revenues, especially as these rise and fall in tune with general economic conditions, for example advertising income fell heavily during the coronavirus pandemic.
- 2.10 Commercial radio's business model is focused on in-house production of live speech and music shows, which it produces in-house with the same teams and therefore relies on economies of scale to be able to run its service at a profit. It is dependent on building audiences to gain greater advertising revenue, which precludes it from taking the types of risks and breaking new talent in the way the BBC is able to do. The budgets needed for drama and comedy, plus large music events such as the Proms, would not be raised by commercial networks.
- 2.11 As a result commercial radio commissions relatively little from the independent sector. Many of its recent external commissions from the independent sector have come via the Audio Content Fund (ACF)⁶, the government-financed £1m-per-year scheme which is overseen by AudioUK and Radiocentre. The ACF's initial three year pilot period is due to come to finish at the end of March 2022. It has so far commissioned 145 projects from 83 different suppliers, broadcast over a total of 340 commercial and community radio stations and reaching an estimated audience of around 15 million with a range of public service content which is designed to be in-keeping with the stations on which it broadcast.
- 2.12 This contestable funding model has proven to be a huge success. We would like the Committee's report to recognise the importance of continuing to support this contestable funding to ensure that, alongside the BBC, there are other ways of public funding being used to support PSB provision on other radio services.
- 2.13 The BBC does always need to work harder to be truly representative of the UK and we support its efforts to do so. As part of its Across the UK initiative, in November 2021 the BBC launched, with AudioUK's endorsement, the Radio Indie Development Fund⁷, which will see £250,000 annually allocated to support independent production companies. The BBC is also operating initiatives to increase the diversity of its radio content and of the sector as a whole, with £12m set aside for productions and companies which are suitably diverse. The BBC also recognises the role independent production companies play across the UK, stating for example in its BBC Wales Management Review that: "*The independent sector has been instrumental in allowing BBC Radio Cymru to create the diversity and variety the audience expects.*"⁸

3. What principles and priorities should inform the choice of the BBC's funding model? And how would any alternative funding models affect what the BBC can provide?

⁵ Figures from RAJAR

⁶ See <https://www.audiocontentfund.org.uk/about-the-audio-content-fund/>

⁷ See <https://www.bbc.co.uk/commissioning/radio/indie-development-fund/>

⁸ [Management Review 2019/20 – Wales. BBC 2020, p27](#)

- 3.1 One problem with every public process regarding the BBC is that historically such debates have often largely been framed through the BBC's TV services – the language used is of 'viewers' 'channels' and 'watching BBC programmes'. AudioUK was disappointed that Ofcom's recent review of public service media focused almost entirely on TV and online, to the point that it gave its process the title of '*Small Screen Big Debate*'.
- 3.2 However the reality is that the BBC spends almost £0.5bn⁹ on its radio and audio output, with its five national networks broadcast on analogues radio frequencies (AM/FM/LW) plus additional digital offerings over DAB, in addition to its audio on-demand BBC Sounds service which offers live streaming and catch-up for its radio services, plus podcasts and audiobooks, some of which are exclusive.
- 3.3 It is therefore vital that the Committee pays full regard to the BBC's radio and audio offering when considering its future and how it may be funded in the years following the end of the current Charter.
- 3.4 We note that this Committee's report Public Service Broadcasting: As Vital As Ever, stated that:
- "The licence fee is the guarantor of the BBC's financial independence and underpins its unique quality. A subscription model would undermine the fundamental principle of universality that the BBC should be free-to-air."*¹⁰
- 3.5 We agree that a future funding model should follow the principle of universal access, thus ensuring the BBC remains a media organisation which all of the British public see themselves as the owner of. While there is perhaps scope to experiment with some subscription-based services, we believe the majority of BBC services, including radio, should remain free-to-air.
- 3.6 If the BBC were to take advertising, the popularity of its services would be likely to cause a significant shift in ad spend away from other providers, including commercial radio and also very possibly in podcasting - in 2021, podcast advertising expenditure in the United Kingdom (UK) amounted to £46m. This figure is estimated to increase within the next few years, reaching an estimated £80m by 2026¹¹.
- 3.7 What is certain is that a pure subscription model would be impractical for radio. There is no technical solution to make AM and FM services subscription only. In addition most DAB receivers do not have the capability to offer conditional access. While online listening could be subscription only, this only accounts for a relatively small part of the BBC's overall listening.
- 3.8 While public funding may need to shift from one method to another, it is difficult to see how a purely commercially-funded BBC would be able to provide a significant proportion of the services it provides, services which continue to address market failure, break new talent and fuel the creative industries. It is striking that services which are often described

⁹ The BBC's PSB expenditure on Radio was £474m for 2020-21 (down from £494m in 2019-20). [BBC Annual Report 2020-21, p50](#)

¹⁰ [Public Service Broadcasting: As Vital As Ever. House of Lords Digital & Communications Committee. 1st Report of Session 2019, Nov 2019, p52, para 201](#)

¹¹ <https://www.statista.com/forecasts/1147738/podcast-ad-spend-uk>

as being in competition with the BBC actually note its importance. Netflix told a DCMS Select Committee the following in September 2020:

“The impact that the BBC has had over the last few decades in building the profile of the UK creatively, in nurturing talent, its investment in production and so forth, is one of the key reasons why we have chosen to make our home here and one of the reasons why we are such strong supporters of what it does and want to see it continue doing.”¹²

4. How should the BBC change over the next five years to adapt to evolving consumer habits and needs - and what does the Corporation need to do to prepare for the future in the longer term?

- 4.1. We believe that the core principle to which the BBC should work is partnership, including with the independent sector. This includes an inclusive approach to working on new schemes. We have been pleased that the BBC has in recent times shared with AudioUK ahead of making public new initiatives on diversity and also on encouraging production companies outside London to work with it.
- 4.2. Working with a range of external companies who can take on the pressure of scaling up and scaling down as demand rises and falls allows the BBC as an institution to be more nimble.
- 4.3. There are further steps which can be taken, for example AudioUK is currently talking to the BBC about how it grows its relationships with our sector around the UK. We hope the BBC will continue to develop its Across the UK strategy to ensure a wide range of companies are contributing to making the BBC’s content as diverse as possible.
- 4.4. Working as much as possible with the independent creative sector helps the BBC to be as flexible as possible – it currently maintains a significant in-house radio production department, based in just a few locations around the UK. And while BBC Radio is required to make 60% of non-news radio hours open to competition by the end of 2022 (and BBC Sounds has opted to follow suit), there is no independent production quota in radio as there is in television. It also has no requirement to commission a certain amount of its programmes from production companies outside London, again as exists in television. We believe the BBC should be moving towards the situation in television where 100% of its non-news programming in most genres is open to competition.

5. What actions and consultations are needed from the government to inform its future BBC funding plans?

- 5.1. It is important that the government properly researches the key question of identifying the extent to what the BBC does would be likely to be replicated by the commercial sector, whether or not the BBC continued to exist in some form.
- 5.2. This should include a full impact assessment on the UK’s creative economy if the BBC’s public funding were to be reduced or removed.
- 5.3. It is critical to many much-loved radio services that the Committee takes the opportunity to emphasise to the Government the importance of the BBC’s radio and audio services and how it needs to remain a significant contributor in that space.

¹² [Oral evidence: The future of public service broadcasting, HC 156. Digital, Culture, Media and Sport Committee. Tuesday 15 September 2020](#)

- 5.4. The government must also make sure it is fully involving the British public in the debate around the importance of the BBC.