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Response to Culture Media & Sport Select Committee Inquiry on BBC Charter Renewal - September 2015

Summary

- Radio is an important and powerful medium in the world of public service broadcasting and needs to be highlighted during Charter Review
- In general the BBC is a highly successful public service broadcaster providing a good range of content which provides something of value to all licence fee payers
- The BBC's best future lies in its remaining well-funded but slimming itself down as an organisation, working more with the diverse production companies in the independent sector, based all around the UK
- The BBC is aiming to make 60% of its 'eligible' radio hours open to competition - the independent radio production sector welcomes this but it will be important to enshrine this objective in the new Charter, along with clear principles on how the commissioning will work, to ensure a level playing field
- In addition indie audio producers' IP should be protected in law as it is in TV, in the shape of the terms of trade between indie companies and the BBC
- We would support the household levy on principle as a replacement of the Licence Fee although this must not result in a fall in revenue to the BBC
- Cuts in BBC radio are exponentially more damaging as the budgets are smaller to begin with and we would like the committee to call for a ring-fencing of the radio budget

1. The Radio Independents Group (RIG) represents the UK independent audio-led production sector, which is comprised of around 150 SMEs based around the UK. The sector directly employs around 2,000 people, producing a wide range of content including: radio programmes across all genres; radio station branding; audio games; multiplatform; audiobooks; podcasts. It also supplies audio production expertise to the rest of the UK's media industry. The sector operates worldwide: 32 of 85 companies surveyed in our recent business census reported overseas revenue in the previous year¹.
2. RIG represents the sector on policy matters and also provides business support services. We also provide skills and training via the RIGtrain programme². RIGtrain has initially set a target of providing 800 places over 18 months and recently announced a new diversity-specific programme, to capitalise on the fact that its attendees are already a good gender balance and around 30% from BAME backgrounds. RIG also produces the annual Radio Production Awards³, which uniquely recognise and celebrate the production skills of radio and audio producers.
3. RIG has a long-running creative relationship with the BBC, with its members currently providing around 20% of the BBC's 'eligible'⁴ radio hours. Our members regularly punch above their weight in terms of winning awards, both in the UK and internationally, for their programmes' quality and distinctiveness. We therefore have a keen interest in Charter Review and welcome the Committee's inquiry. RIG provided written evidence and appeared before the previous Committee during the 'Future of the BBC' inquiry, and we would be pleased to do so again.
4. In the face of a huge increase in media availability, on average 90% of the adult UK population tune into the radio each week.⁵ Nevertheless radio can often be forgotten or pushed to the margins in discussion about Charter Review, as the attention centres on television. The importance and relevance of radio must be given due prominence to ensure the best decisions re made for delivering public service radio in the future.
5. The BBC continues to provide a wide range of quality radio services which are to a great degree not available elsewhere - the fact that it is able to provide a range of public service content, free from advertising has allowed a burgeoning commercial sector to grow alongside the BBC, providing various services and content which complements and provides creative competition.
6. The Committee will note that the UK independent creative sector as a whole is highly supportive of the BBC, in its role of encouraging creativity and growing the UK's creative economy. This support is demonstrated by the 'Backing the BBC' campaign of 'qualified support' of which RIG is a supporter⁶.

¹ RIG Indie Business Census 2015. Data analysed by Enders Analysis. P6, table Number of companies involved in each revenue generating area <http://www.radioindies.org/index.php/home-about-rig/indie-business-census>

² <http://www.rigtrain.co.uk/>

³ <http://www.radioindies.org/index.php/services-open-to-all-new/rigradio-academy-radio-production-awards>

⁴ ie total BBC radio hours excluding news and repeats

⁵ RAJAR/Ipsos MORI/RSMB, 2015

⁶ Other industry bodies supporting the campaign are: Pact, Creative Skillset, Directors UK, Bectu, NUJ, VLV, Writers' Guild, Equity, Children's Media Foundation, Personal Managers' Association, Musician's Union.

The Committee's areas of interest

The argument that the BBC should become smaller and more focussed on a narrower, core set of broadcasting and online services

7. Fundamentally, RIG believes the BBC's success has been due to its ability to provide public service programmes across all platforms and to suit the tastes of all Licence Fee Payers. It is important to note the conclusion of Ofcom's recent Public Service Broadcasting review which stated that that: "The BBC remains the cornerstone of the PSB system and is the key driver of investment across the system"⁷.
8. The media world has undoubtedly become more complex and there is no question that for a variety of reasons it has become easier for people to access a wider range of services including from commercial players. It is right to always be considering how much of the BBC's current services need to be provided by public funding, but we do not see any real justification or indeed pressure from the public to curtail the BBC, particularly once they are made aware of exactly how much the BBC provides.
9. The recent deprivation study carried out by MTM found that: "the great majority of the households that had initially said they would pay nothing or would only pay less than the current licence fee changed their minds (33 out of the 48 in total) and choose to have BBC services at the full cost of the licence fee rather than having the money back"⁸. The survey also revealed 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)"⁹.
10. In radio the BBC has in the past been accused of providing services which the commercial sector can provide - we note that the commercial sector is now stating that it feels that the BBC's services are valid but simply need tighter definitions to ensure they are not stifling commercial services, vis-à-vis: "To help the [commercial] sector grow, we need... from the BBC - more distinctive services, more rigorously regulated."¹⁰
11. 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.
12. The effect on radio of 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 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

⁷ Ofcom. Public Service Broadcasting in the Internet Age: third review of PSB. July 2015, p7

⁸ MTM. Life Without the BBC - Household study. August 2015, p3

⁹ MTM. Life Without the BBC - Household study. August 2015, P3

¹⁰ RadioCentre. Radio. Connecting past and future'. July 2015 p.3

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"¹¹.

13. Any further exercise to reduce costs should therefore exclude radio, which has already borne more than its fair share of cuts and is of great value to the Licence Fee Payer. 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 should be similarly ring-fenced.

The effectiveness of public consultation on BBC services and content choices to meet the needs of audiences, and how these consultation mechanisms might be strengthened

14. It is always difficult to assess public opinion on an ongoing basis, but we believe that the measures used are valid and that they indicate a strong support for the BBC, and the Licence Fee. In terms of consultation from the BBC Trust, we do comment further on our view that some of the Trust's consultation conclusions are not always carried through in their final recommendations.

The possible scaling back of BBC production capabilities and any impact this would have on content overall, and on free-to-air content; The BBC's own organisation and management

15. 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.
16. 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.
17. 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.
18. In radio the BBC has announced as part of its 'Compete or Compare' initiative¹² that it will make available, over the next few years, around 60% of eligible radio hours to competition. RIG obviously welcomed this move, as our members are keen to compete to have the opportunity to make the kind of content only heard on the BBC.
19. RIG is continuing to talk to the BBC about how this measure is implemented, as it is important that there is a clear level playing field between in-house and out-of-house production teams, as well as those inside and outside the M25. This will require clear lines of separation in the BBC commissioning process.

¹¹ BBC Trust review of BBC Radios 4, 4 Extra, 5Live, 5Live Sports Extra. August 15, P4

¹² 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>

20. 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, i.e. 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.
21. Audio content producers need the same certainty in order to invest and grow their companies further, and RIG would like to see the Committee recommend that all provisions relating to competition in radio and Terms of Trade should be written into the next BBC Agreement.

The possible replacement of the licence fee with a universal household levy; a longer-term possibility of a move to a degree of subscription

22. RIG believes that the Licence Fee model has worked well until this point and agrees that a similar model is the way forward for the next Charter. There is a clear need to deal with the issue of people consuming BBC content on iPlayer catch up services.
23. The household levy, which is supported by the BBC Director General and was recommended by the last Committee's report, 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 Committee on September 9th, namely that the levy could be collected alongside the council tax, and similarly banded in order that it is more progressive in nature.
24. This something with which we agree in principle. Obviously care should be taken to ensure there was no net loss in funding as a result of this and in fact we would argue that a move to a progressive structure could be an opportunity to restore BBC funding levels to their previous level.
25. Irrespective of this, it should be more explicitly explained with any new mechanism that the funding provides not just TV services but also radio and online.
26. In terms of subscription, others have voiced concerns that this would have unforeseen consequences for TV, as it would unbalance the current broadcasting ecology between the subscription services and free-to-air PSB services. And as far as radio is concerned it is by no means clear how a subscription model would work in technical terms.

The recently published Perry review into TV licence enforcement

27. RIG agrees with the findings of David Perry QC; "that there should be no fundamental change in the sanctions regime as it applies to the current licence fee collection system. The current regime represents a broadly fair and proportionate response to the problem of licence fee evasion and provides good value for money both for licence fee payers and taxpayers."¹³

¹³ DCMS. Independent review on TV licence enforcement published. 16 Jul 2015.
<https://www.gov.uk/government/news/independent-review-on-tv-licence-enforcement-published>

The process for setting the level of funding for public service broadcasting and the availability of funds offered on a contestable basis; The substance and process of the financial settlement so far announced

28. The previous Committee stated in its 'Future of the BBC' report that the process used to set the Licence Fee in 2010 took place with undue haste and said that: "no future licence fee negotiations must be conducted in the way of the 2010 settlement: the process must be open and transparent, licence fee payers must be consulted and Parliament should have an opportunity to debate the level of funding being set and any significant changes to funding responsibilities"¹⁴.
29. Despite this, a similar scenario took place just prior to the July 2015 budget, involving a deal which saw a net reduction in the BBC's funding estimated at 10%¹⁵, but which BBC Director General Tony Hall says will mean a larger cut: "Having already saved 40 per cent of the BBC's revenues in this Charter period, we must save close to another 20 per cent over the next five years."¹⁶
30. RIG agrees with the last Committee report that these types of negotiations on the Licence Fee are not conducted in the proper circumstances. The BBC is not funded via general taxation and we do not concur that its funding should necessarily be cut in line with the Government's general austerity programme.
31. This is especially the case bearing in mind that in other ways the Government has seen fit to invest in the UK's creative industries, via a succession of highly useful tax credits. The investment the BBC makes in the creative industries, which in 2013-14 to some £2.2bn, including £1.2bn externally¹⁷ should also be recognised and valued as a sizeable factor in the UK's global success.
32. Regarding the responsibility for free over-75s licences, we believe there is a case for reviewing whether this measure remains valid as there will be many in that age group who can afford a licence, compared with younger low-income earners who may find it more difficult. We are aware that Tony Hall has asked such people to consider paying the fee voluntarily, but clearly were the BBC to revise the policy it would inevitably draw criticism and therefore make it difficult to conduct an objective review.
33. RIG therefore suggests the Committee recommends that the Charter includes an absolute responsibility for the BBC to review the policy every five years, thereby making it a requirement rather than a choice for the Corporation to do so.

The position of BBC Worldwide - and the BBC Studios proposals

34. Since the Committee published its terms of reference the BBC has published its proposals for the creation of 'BBC Studios' - the name for the sections of its in-house production that it intends to move into BBC Worldwide, and which will be able to compete for commissions from other broadcasters. Whilst the proposals relate primarily to Television production, the Document published on 16th September¹⁸ does

¹⁴ House of Commons Select Committee on Culture Media & Sport. The Future of the BBC. Fourth report of Session 2014-2015. February 2015, p87, para 255

¹⁵ 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>

¹⁶ <http://www.bbc.co.uk/mediacentre/speeches/2015/tony-hall-distinctive-bbc>

¹⁷ Frontier Economics. The contribution of the BBC to the UK creative industries. 2015, p3

¹⁸ BBC. BBC Studios: strengthening the BBC's role in the creative industries, p12

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.

The governance of the BBC and holding the Corporation to account

35. RIG agrees with the principle, proposed in different ways by both the current Chair of the BBC Trust and the Committee's 'Future of the BBC' report, of a separate BBC non-executive board plus external regulator. In particular the external regulatory function needs to be far more separate and robust.
36. RIG's own experience of the BBC Trust has been that whilst it has consulted 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'¹⁹. This was a far-reaching conclusion, as at the time the BBC had only a 10% voluntary quota for indie radio production. 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.
37. 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.
38. 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.

The balance of national and regional investment and spending by the BBC

39. In its last Content Supply Review, the BBC Trust stated that the BBC needed to go further in terms of developing a strategy which ensured that content made by producers around the UK got more of a chance to make it on to the BBC's UK-wide networks, rather than being siloed into the BBC Nations services, as is too often currently the case. The latter approach has failed to meet the BBC's public purpose of '*representing the UK, its nations, regions and communities*'.
40. The BBC can never hope to solve this problem by simply trying to establish or grow a few production bases around the country. RIG's members, based as they are in locations in every part of the UK, provide a clearer, simpler and more efficient solution to ensuring that the Licence Fee Payer is benefiting from the widest possible range of ideas, stories, perspectives and talent from all around the UK.
41. The Trust therefore said that in TV production it would "want to ensure that the BBC has developed considered, clear-sighted plans that set out what the right commissioning mix is across the Nations and regions. The Trust will also want to see how the BBC's production centres across the UK intend to work more effectively together with the independent sector based in different parts of the UK to develop creative, sustainable, local ecologies"²⁰.

¹⁹ Review of Radio Independent Supply. BBC Trust, 2010, p10

²⁰ BBC Trust. The supply arrangements for the production of the BBC's television content, radio

42. RIG's recent Business Census indicated that of the 85 companies surveyed, just over 81% of radio programme income was for productions made within the M25²¹. RIG is therefore keen to see the Trust's recommended commissioning approach broadened to radio, where similarly radio production in Wales, Scotland and Northern Ireland is mainly channelled into the BBC nations services.
43. RIG is working with BBC Radio to make sure it establishes a truly level playing field in radio commissioning, by ensuring that each UK BBC Radio network develops 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.
44. Each network's plan should ensure clear arrangements for out of London commissioning, including a timeline for implementation, and measurable commitments for review and firm arrangements for commissioners to hold regular commissioning meetings in locations around the UK. Each of the BBC's nations and local radio stations should also publish plans to commission more widely.

The importance of the BBC's role in training and technical innovation and its support to the UK creative economy overall

45. Historically the BBC has played an important part in training, but here too RIG would argue that the landscape is changing. The BBC has a unique approach to training that is tailored to working in a large organisation rather than a small lean entrepreneurial production company. RIGtrain was set up in response to the need for the dynamic companies in the indie production sector to have people with the necessary wide-ranging skills, proactive approach and multi-tasking qualities necessary to make high-quality programmes and content in an efficient way.
46. Whilst some have sought to typecast indie producers as profit-seeking, low-budget companies which undermine the public nature of the BBC, the opposite is true. The margins are small in indie radio production, and to make them work, the sector needs to ensure it is as efficient as possible and has the right skills in place.

The wider relationship between the BBC, the general public and Parliament

47. It is important to the principle of public service broadcasting that its institutions, particularly the BBC due to the nature of its funding, are impartial, and trusted by the public. It is for this reason that we argue above that the BBC's funding should not be subject to a repeat of the type of deals made in 2010 and 2015.
48. Decisions on the level of funding and other such matters relating to the BBC should not be within the hands of Government and politicians but rather be adjudged by an independent body, possibly Ofcom or a Public Service Broadcasting Trust, which could objectively make decisions not only about the overall level of BBC funding but also the respective levels of different BBC services, for example the overall level of funding for radio.

content and online content and services. June 2015, pp17-18

²¹ RIG Indie Business Census 2015. Data analysed by Enders Analysis. P9, table Share of commissioned radio programming, by location of main office (%) <http://www.radioindies.org/index.php/home-about-rig/indie-business-census>