

Opening up BBC Radio production to the independent sector

Prepared for the RIG Board

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Context

- The BBC Trust sets out the requirements it considers appropriate for the BBC to secure a suitable proportion, and a suitable range and diversity, of radio content from independent producers (indies). The Trust expects the BBC to commission at least 10% of its eligible radio hours from independent suppliers. From 2012/13, following the 2010 Trust review on radio supply, a further 10% of eligible radio hours was opened up as a Window of Creative Competition (WoCC) for competition between the BBC and independent radio producers on a voluntary basis
- The BBC Trust released its consultation paper *BBC Trust review of the BBC's arrangements for the supply of television and radio content and online services* in January 2015 to establish some key principles to guide any potential changes to the BBC's Charter in terms of how BBC TV production supply arrangements are regulated. In addition, the Trust will consider whether the operation of the existing WoCC in radio could be optimised so as to secure the best outcomes for licence fee payers
- Any such changes in the radio quota and/or WoCC must fulfil the Trust's key principles that are relevant in the supply of radio content
- Radio Independents Group (RIG) is likely to propose that the current 10% quota and 10% WoCC are both increased, thus allowing indies to compete for a greater percentage of the BBC's radio output
- To aid with its submission to the Trust RIG conducted a survey amongst the wider radio independent production industry to better understand the independent radio production market. This has been analysed by Enders Analysis
- This paper considers whether the changes proposed by RIG will safeguard the key principles proposed in the Trust's consultation. It should be read in conjunction with the results of the 2015 RIG survey

BBC Trust's six high-level principles and relevance to radio content supply

1. Securing high-quality and creative content across all genres
2. Providing value for money to licence fee payers
3. Using a wide range and diversity of supply across all genres and from across the UK
4. Securing a sustainable production supply in terms of skills and capacity
5. Retaining sufficient value and control over the BBC's IP and content rights beyond the public service window to secure a fair return on investment for licence fee payers
6. Maintaining appropriate separation between publicly funded BBC activity and its commercial services

1. Current independent radio production for the BBC

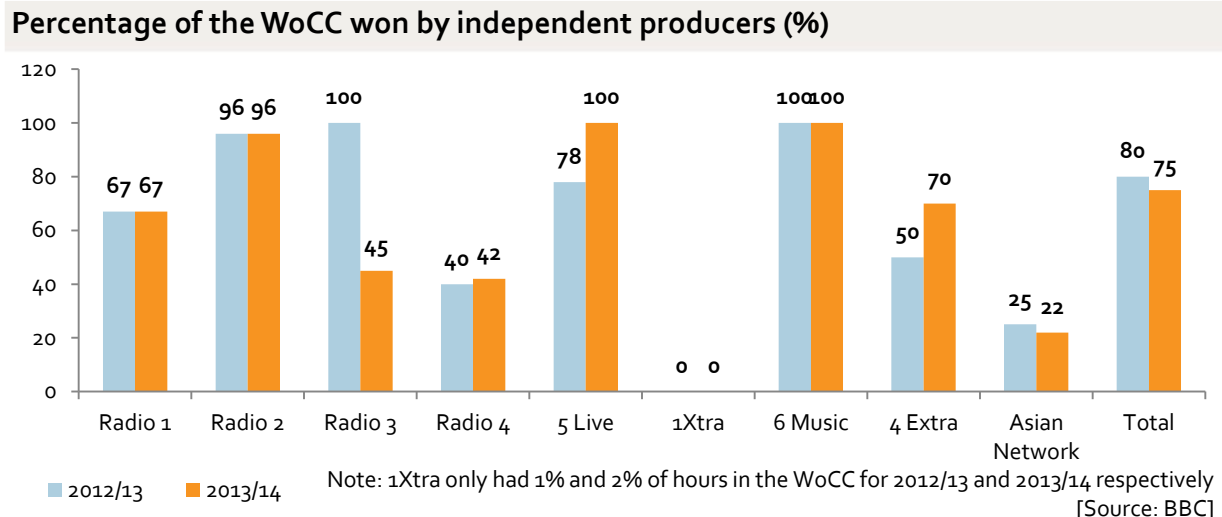
2. Market developments since the 2010 BBC Trust Review

3. Conclusions

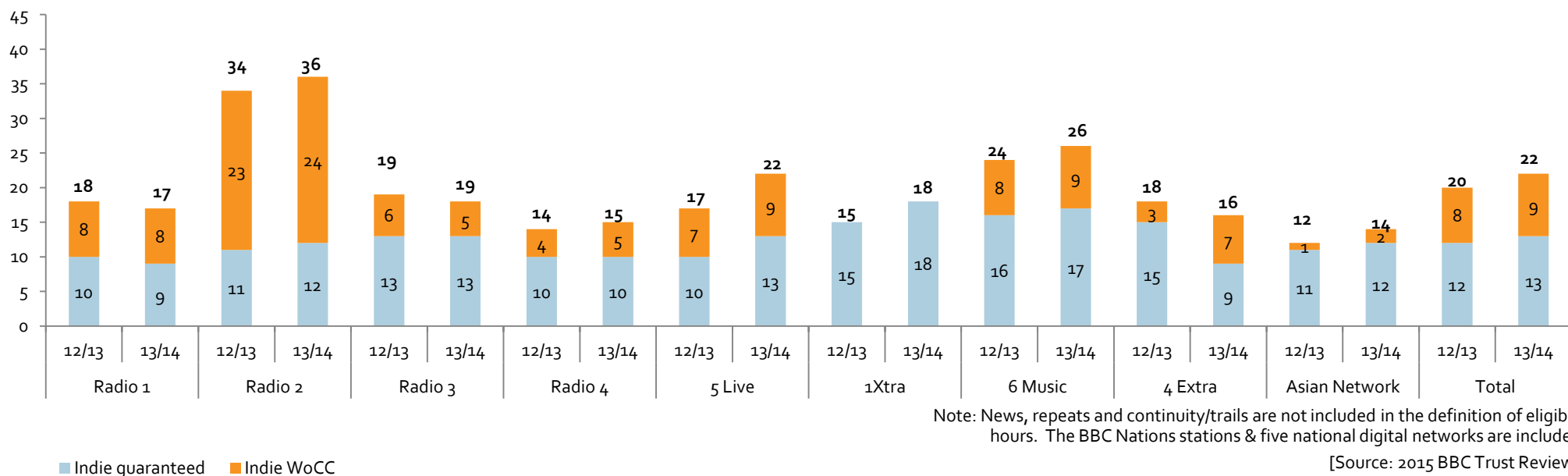
4. Appendix

1. Current independent radio production for the BBC

- The indie sector has exceeded its 10% guaranteed quota every year (with the figure by and large being at least 2 percentage points above 10%)
- The WoCC has been in existence for two years, and in 2012/13 the independent sector won 80% of available hours, with a lower, but still very high figure of 75% in 2013/14
- The figures vary greatly by network with the indies accounting for only 14% of eligible hours on the Asian Network but 36% of Radio 2's eligible hours



Proportion of eligible hours commissioned by independent producers (%)



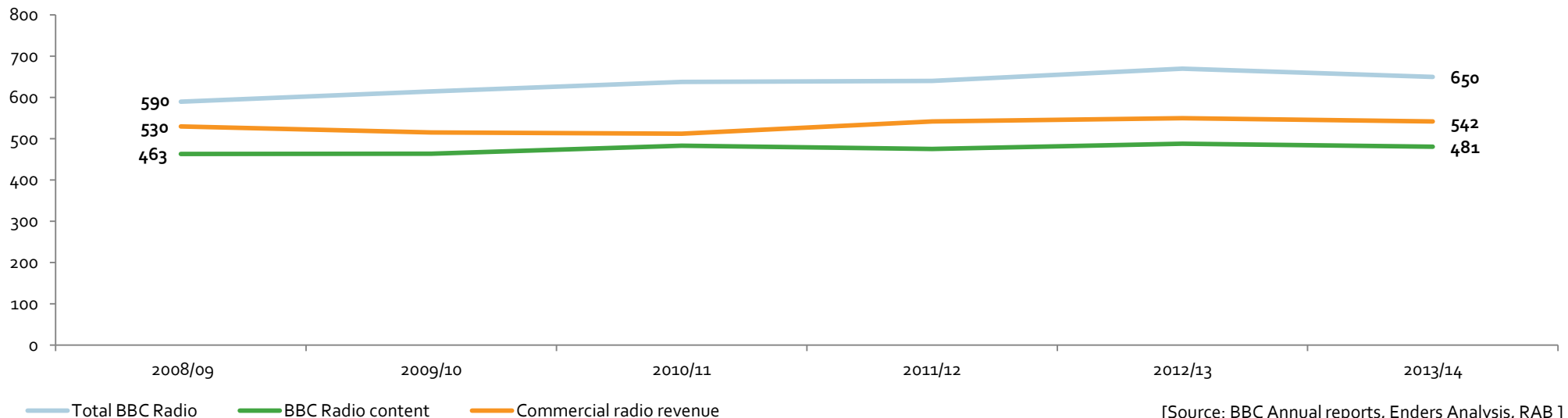
2. Market Developments since the 2010 BBC Trust Review

- In seeking to answer whether the licence fee payer would ultimately be better served through the expansion of indie radio supply we have reviewed the publicly available information since the 2010 Trust Review process through to this year. The Trust reported in 2010 that reliable information sources were scarce and this continues to be the case. We have looked at Ofcom, the BBC Annual Reports, the BBC Trust and the National Audit Office
- The following information is drawn from the above as well as the Indie Business Census 2015. We have not focussed on the commissioning process within the BBC.
- This section focuses on the following areas:
 - **Development of the independent radio production sector**
 - Market size of the sector and importance of the BBC
 - Secondary sources of revenue
 - **Competition for best ideas**
 - Diversity of suppliers
 - Quality of programming for the long term
 - **Analysis of open ended questions in the Indie Business Census 2015**

Market size of the independent radio production sector and importance of the BBC

- In 2010 a report for the BBC Trust* valued the radio programme production market at £20m, with the BBC purchasing over 90% of the output
- In its current consultation paper the Trust noted that in 2012 the BBC estimated the total BBC and commercial radio spend on independent radio productions to be £38m
 - Half was traditional radio programmes (99% BBC)
 - Half was news, weather, traffic and sponsored programmes
- The RIG Indie Business Census 2015 valued the market for traditional radio programmes to be worth £20m in 2014 and that over 90% of this was to the BBC. We are aware that not all radio independent companies responded to the survey, and can therefore conclude that the overall market hasn't expanded in total size
- The BBC clearly remains the predominant purchaser of radio programmes
- Putting the BBC's content spend on radio into context, in its last financial year it was only 11% less than commercial radio's total revenue

BBC Radio expenditure compared to commercial radio revenue (£m)



Secondary sources of revenue

- In 2010 the widely held view was that there were limited secondary or overseas markets for radio content, due in part to the fact that much of the output is non-specialist music-based formats and that speech radio is highly geared to national tastes
- The 2009 RIG survey found that 10 companies sold commissioned radio programme productions overseas. In this survey 11 companies reported overseas sales of radio programmes, and we estimate that these are worth £1.2m out of total radio programming sales of £19.8m. The market does not appear to have changed significantly
 - However, it would be a useful exercise to obtain more definitive information on overseas revenue from these companies to gain a more complete understanding
- There are c 150 indies operating within the UK, though many may cease trading for periods of years. The RIG Indie Business Census 2015 found that the average annual turnover for radio programme commissions across the 62 smaller indies (that reported any sales) was only £49,000. This has not increased since the Trust's 2010 findings. However, the sector does appear to be diversifying into related areas, with 60% of companies with radio programme sales being involved in at least two other areas of revenue generation. This should help to grow their businesses and to manage some of the revenue risk in being reliant on BBC Radio commissions
 - However, it should be noted that these other sources of revenue do not currently generate significant monies
- Overall, even though the indie sector has benefited from an increase in the amount of BBC commissions over the past two years, we have not seen through this Census a marked increase in commissioned radio programming revenues across the sector. In addition, the commercial radio sector continues to produce nearly all its content in-house
- While, the sector does appear to be taking greater advantage of other revenue opportunities there has been no seismic shift

Diversity of suppliers

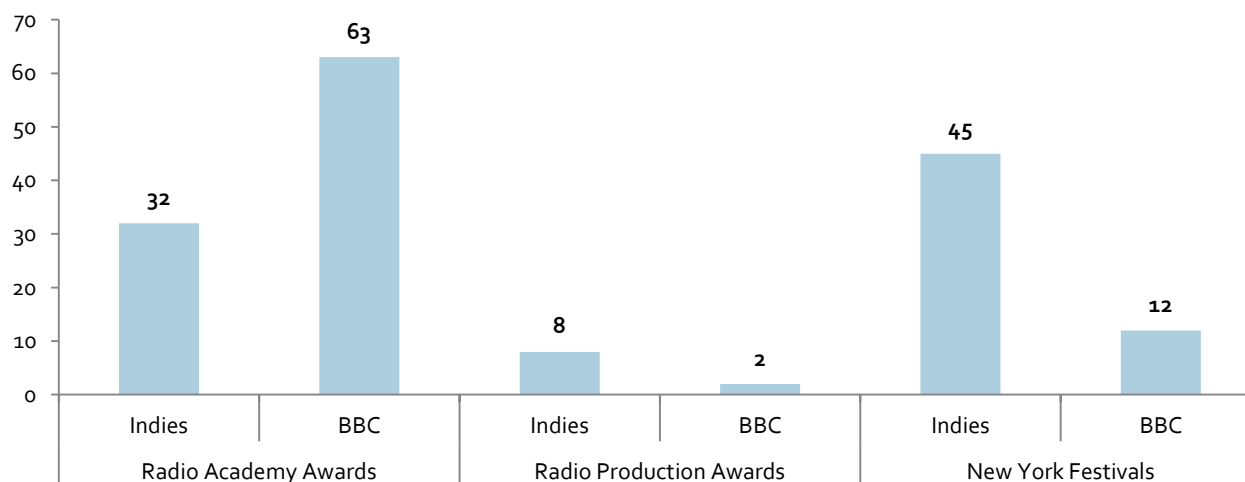
- In 2010 the Trust found that the BBC's approach had delivered a suitable range and diversity of programming, but that the best ideas were not always consistently embraced by BBC Radio
- The introduction of the WoCC across BBC Network radio enabled the indie and BBC Production to compete for commissions. The fact that the indie sector won 75% of the available hours in the 13/14 financial year does imply that the BBC is commissioning the best ideas regardless of source
- Commissions also come from a range of companies, with Radio 4/4 Extra using 49 different indies
 - Radio 1/1Xtra, Radio 2 and Radio 3 all used over 15 different companies
- Indies are also supplying programmes across many genres, though only 19 indies produce programmes that span three or more genres
- Long-running commissions provide independent radio production companies with greater certainty in financial planning and enables them to justify investment in staff resource and training
- Unfortunately, several genres have less than 5 long-running commissions (current affairs, factual, religion, drama, entertainment, formal education, sport, children's, history and science)
- The vast majority (81%) of commissioned radio programming revenue is generated by companies based within the M25, indicating that the BBC may not be looking as hard as it should for indies based outside London. This was noted within the Census by several companies.

Quality of programming for the long term

- Independent radio production continues to rely heavily on freelancers in all but the larger 5 indies. Employing freelancers enables companies to easily staff up or down depending on the current demands of radio production
- The larger indies, with greater guarantees of continual work and a greater diversity of revenue sources can more easily manage full time resource, by moving staff between projects. This in turn enables staff to gain valuable experience across many functions and increase their own skills and creativity
- The sector offers a wide variety of training opportunities, either paid-for courses and/or on-the-job training. All the larger indies offer such opportunities and by and large the medium indies do also.
- Measuring the quality of programming is by definition always subjective. Therefore, a valid indication of the quality of programming produced by the indie sector is the number of industry awards won
- Overall, it is evident that the indie sector is submitting quality ideas to BBC commissioners, evidenced by the high proportion of the WoCC and the awards won by the sector. The diversity of suppliers (based across the UK, and often with specialist interests), and/or the level of training given, must be considered as strong contributory factors to achieving success

- The independent sector continues to win many awards and performs disproportionately well
- In the latest major awards:
 - Indies won just under half the number of Radio Academy awards than the BBC, though produce only 22% of eligible hours
 - They won significantly more Radio Production Awards and New York Festival awards

Total number of industry awards, 2014 (medals and nominations)



Note: Discounted any awards which indies would be unable to win, e.g. for a BBC News & Current Affairs Programme
 [Source: Enders Analysis, Radio Academy, New York Festivals]

Analysis of open ended questions in the 2015 Indie Business Census

- Respondents to the survey were given the opportunity to add further thoughts. Nearly all responses centred round BBC commissioning. The key themes that came out of this were:
 - The BBC is too London-centric
 - It is difficult for companies based elsewhere to pitch successfully to the BBC Networks
 - It was noted that there is little investment in major series outside of London which keeps the industry small
 - It was also noted that there hadn't been a documentary slot available for an Indie by BBC Radio Scotland for 3 years
 - For companies based outside London and the South East there were less opportunities to hire staff, take on researchers and offer traineeships to the next generation of radio makers
 - BBC budgets being inadequate
 - Problems for smaller indies
 - Difficult to plan ahead and often running with spare capacity
 - Hard for a small company to break through
 - The increased numbers allowed to make programme proposals means it is more difficult to gain commissions

3. Conclusions (i)

- In reaching our conclusion we have considered whether the changes proposed by RIG will safeguard the first four key principles proposed in the Trust's consultation

Securing high-quality and creative content across all genres

- The indie sector has produced commissions across all genres and has won a disproportionate amount of awards. Over 2013/14 it won 75% of the hours in the WoCC and exceeded the indie quota by 2ppts
- We conclude that further increasing the amount of radio programming which indies can compete for would help to secure high-quality and creative content

Providing value for money to licence fee payers

- In the 5 years since the last Trust Review, the size of the total commissioned radio programme market has not increased significantly, in spite of the introduction of the WoCC. The larger five indies account for over 67% of production turnover, with the average radio programme turnover still less than £50,000 for the smaller suppliers
- The BBC is still the key driver behind the commissioned radio programme market, and this gives it enormous power in negotiations. This makes it difficult for the indie sector to offer competitive prices that give them a reasonable profit margin

Using a wide range and diversity of supply across all genres and from across the UK

- Currently the WoCC does this but it is very concentrated on suppliers based within the M25. We would hope that opening up more hours would increase the diversity of voices representing all regions within the UK. However, there must be a change of mindset within BBC commissioning for this to happen

3. Conclusions (ii)

Securing a sustainable production supply in terms of skills and capacity

- The indie sector is focusing more on training staff, which is beneficial to the sector enabling it to produce better quality programming and secure further commissions. And of course this is beneficial to the licence fee payer
- It should be noted that the market as a whole has not developed perhaps as fast as RIG would have hoped. Increasing the amount of hours in the WoCC and/or increasing the guaranteed indie quota may help to better secure the indie sector financially. However, this is not a direct responsibility of the BBC
- The number of freelancers employed within the indie sector does enable production companies to staff-up easily when they are awarded radio programme commissions. Having said this, we believe that any potential increase in the quota should be phased in over an agreed period which would minimise any concerns the BBC might have that the sector would not be able to fulfil any increase across all genres and networks
- There is not this issue in increasing the hours in the WoCC as the BBC would be able to continue to commission the best ideas regardless of source, and it is likely that the indie sector would continue to win the majority of hours based on its own merit
- At this stage in the independent radio production market we would contend that there are strong arguments to significantly increase the amount of hours within the WoCC
- We would recommend that RIG push for a large increase in the WoCC, and perhaps the quota to 15%
- We would expect the indie sector to win a greater proportion of the available WoCC over the next three or four years which would enable it to grow into a fully-fledged creative industry
- RIG would then be in a position to push for a larger increase in the quota at the time of the next BBC Trust Review

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