

From: THE PRIVATE SECRETARY

cc B/G
(letter only)

BIF Friday pre.
20/2

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT



3 February 1987

Prime Minister 4

You may like to see.
The summary starts on page 57. ✓

Dear David,

RADIO GREEN PAPER

DKS
18/2 MB

I enclose a copy of the text of the Radio Green Paper, which the Home Secretary has now approved and which takes account of helpful comments made by Departments consulted at official level, as agreed by MISC 128. The Home Secretary proposes to publish the Green Paper, to be entitled "Radio: choices and opportunities" later this month. We shall be in touch with you about the exact date.

I am copying this letter and its enclosures to the Private Secretaries to the other members of MISC 128, the Private Secretaries to the Secretaries of State for Foreign and Commonwealth Affairs, Northern Ireland, Environment, Employment, Education and Science, Scotland, the Lord Privy Seal, the Minister for Arts, and to Trevor Woolley (Cabinet Office).

Yours ever,

Chris

C R MILLER

D Norgrove, Esq

RADIO: CHOICES AND OPPORTUNITIES

A CONSULTATIVE DOCUMENT

HOME OFFICE

Cmd

CONTENTS

	<u>Page</u>	<u>Paras</u>
Introduction		
CHAPTER 1: THE PRESENT POSITION		1. 1-1.39
<u>DEVELOPMENT OF RADIO SERVICES</u>		1. 1.1.4
Existing Services - BBC		1. 1-1. 4
" " - Independent Radio		1. 5-1. 6
" " - Miscellaneous		1. 7
Services Deferred Pending the Consultative Document		1. 8-1. 9
<u>THE AUDIENCE FOR BBC AND ILR SERVICES</u>		1.10-1.12
<u>NATURE AND REGULATION OF EXISTING SERVICES</u>		1.13.1.17
Miscellaneous Services		1.17
<u>THE FREQUENCY POSITION</u>		1.18-1.36
The Broadcasting Bands		1.20-1.26
The Availability of Spectrum		1.27-1.31
Radio and Direct Broadcasting by Satellite (DBS)		1.32
Simulcasting		1.35-1.36
Conclusion		1.35-1.36
<u>OVERSEAS POSITION</u>		1.36-1.38
CHAPTER 2: CHANGE IS COMING		2. 1-2.28
Additional Spectrum		2. 2
Pressures on ILR		2. 3-2.14
Community Radio		2.15-2.18
The Peacock Committee and the role of the BBC		2.18-2.24
Emergence of Competing Media		2.25
Engineering and Technological Developments		2.26-2.27
Conclusion		2.28

CHAPTER 3: THE QUESTIONS TO BE ANSWERED	3. 1-3. 2
CHAPTER 4: NATIONAL SERVICES	4. 1-4.27
Public Service Broadcasting	4. 2-4. 7
BBC Services	4. 8-4.14
National Commercial Radio	4.15-4.23
DBS Radio Services	4.24-4.26
Conclusion	4.27
CHAPTER 5: NATIONAL/REGIONAL SERVICES	5. 1-5. 5
CHAPTER 6: LOCAL AND COMMUNITY RADIO	6. 1-6.16
Public Service Broadcasting	6. 2-6.16
Community and Independent Local Radio	6. 7-6.14
Conclusion	6.15-6.16
CHAPTER 7: REGULATION, FUNDING AND FREQUENCY ALLOCATION	7. 1-7.26
An Authority for Independent Radio	7. 3-7. 5
Programme Content	7. 6-7. 7
Ownership	7. 9-7.12
Funding	7.13-7.15
Enforcement	7.16-7.17
Frequency Assignments	7.18-7.21
Technical Standards	7.22-7.23
Procedure for Selecting Licences	7.24-7.25
Conclusion	7.26
CHAPTER 8: CONCLUSIONS AND OPTIONS FOR CHANGE	8. 1-8.13
Summary of Government's Preliminary Views on Options for Change	8.10-8.13

INTRODUCTION

Radio has long been recognised as a medium of great power and versatility. It can speak to a mass audience as individuals, and offers a unique appeal to the imagination.

In the United Kingdom, as in most other countries, access to the radio spectrum is controlled, to ensure ^{that} both radio signals do not interfere with each other and that the spectrum, as a finite resource, is used effectively and economically. The United Kingdom also has arrangements for the regulation of programme content. Taken together, these controls have resulted in a concept of public service broadcasting, under which broadcasting is used for the benefit of the community as a whole, rather than for the benefit of particular groups. The services are provided by public authorities, the BBC and IBA, appointed as trustees for the public interest. The broadcasting authorities, acting independently of Government, must provide services of high quality and wide range, which inform, educate and entertain.

This public service tradition has dominated our radio services, both those provided by the BBC and those provided by commercial companies under contract to the IBA. The services in their present form have their origins in the 1960s. BBC radio was then re-organised into 4 national networks, and BBC local radio and national radio in Scotland, Wales and Northern Ireland have since been developed to provide, in effect, a fifth radio network. The first independent local radio (ILR) stations opened in 1973, and there now exist a network of stations in 50 localities.

In recent years, there have been a number of developments which suggest that it is right to take a fundamental look at the future of radio broadcasting. First, as a result of international agreements we have the prospect of additional VHF/FM frequencies for broadcasting in the UK. These will be available between 1990 and

1995. There is thus scope for new national and local services. Second, there is great interest in the possibility of a new tier of community or special interest radio stations, which would be different in kind from existing services. It needs to be decided whether services of this kind, if they are to be introduced, could or need comply with the full range of public service broadcasting requirements. Third, the prospect of additional stations raises questions about the provision and regulation of existing services. Fourth, there has been concern about the financial viability of some ILR stations under present regulatory arrangements in the face of increasing competitive pressures, both for audiences and for advertising revenue. The ILR companies believe that a lighter and less expensive regulatory framework is possible. A development along these lines would be consistent with the Government's general policy of encouraging enterprise by enhancing competition and minimising regulation, while retaining essential protections. Fifth, in radio as in television, new technology in broadcasting will have an impact on the nature of broadcast services and the extent to which they are regulated and used.

At the same time, the report of the Peacock Committee*, which made a number of recommendations on radio, has brought into sharper focus questions about the BBC's role in providing radio services, and there has been much interest in the idea of competing services at the national level.

The Government announced last year, at a time when it was hoped that there would be an experiment in community radio, that it proposed to issue a Green Paper which would look at community radio and the implications for existing radio services. In the event, the experiment did not take place. It proved difficult to construct a regulatory framework for community radio within existing legislation in a way which would not have directly involved the Government in

*Report of the Committee on Financing the BBC: Cmnd 9824.

controls over what was broadcast. In the light of the other problems and proposals on radio outlined above, the Government concluded that it would be right for the planned Green Paper to take a fundamental look at the whole question of radio policy.

The Government welcomes the new opportunities presented by additional spectrum and technological developments. There can soon be a more varied pattern of radio broadcasting and more choice for the listener. We must not let these opportunities slip just because they require change. At the same time, public service broadcasting in the UK is strong precisely because it provides programmes of quality for a wide range of tastes. These values and traditions, which public service broadcasting has established, should not be lost. The Government remains committed to sound and television broadcasting services which achieve the highest standards in quality, popularity and diversity of choice.

This Green Paper seeks to outline in greater detail the issues taken into account in considering the future of radio broadcasting. It then puts forward some options, consistent with the Government's strategy on broadcasting, for a framework for the future. The Government would welcome comments from interested parties, including, in particular, radio listeners.

Responses should be sent to room 664, Home Office, Queen Anne's Gate, London, SW1H 9AT, by 30 June 1987.

CHAPTER 1: THE PRESENT POSITION

DEVELOPMENT OF RADIO SERVICES

Existing Services

BBC

1.1 Since 1967, the BBC has provided four national radio services. Radios 1 and 2 each have their own MF (ie Medium Wave) network, but share on VHF/FM*. Radio 3 broadcasts on both MF and VHF/FM. Radio 4 broadcasts primarily on LF (ie Long Wave) and VHF/FM. The Government announced last year that one of two new national VHF networks allocated to the UK at an international frequency planning conference in 1984 would be assigned to the BBC to enable Radios 1 and 2 to be broadcast on VHF/FM at the same time. This new network will be available in 1990.

1.2 The BBC also provides four national regional services - Radio Scotland, Radio Wales, Radio Cymru (Welsh language) and Radio Ulster. Radio Scotland and Radio Ulster broadcast on both MF and VHF/FM. Radio Wales (MF) and Radio Cymru (VHF/FM) each broadcast on just one frequency. These services are supplemented by eight local radio stations which 'opt out' of national regional broadcasts for up to three hours a day on one or both frequencies.

1.3 BBC local radio began in 1967. The BBC now provides thirty local radio services in England on a broadly county-wide basis, covering approximately 85% of the population, using both MF and VHF/FM frequencies. The BBC's aim is a pattern of 38 local radio stations which would cover about 90% of the population of England. Radio London apart, these stations broadcast Radio 2 after closedown and throughout the night.

*The different characteristics of these frequencies are explained in paragraph 1.20 below.

1.4 All BBC home radio services are funded by the television licence fee. In the year ending 31 March 1986, radio took £225 million out of total BBC expenditure on home services of £809 million (28%). Of these costs 23% was attributable to Radio 4; 17% each to Radio 2 and Radio 3; 14% to the National Regional services; 13% to local radio; 9% to Radio 1; and 7% to transmission costs.

Independent Radio

1.5 In the UK, fifty areas are now served by independent local radio (ILR) stations which operate under contract from the Independent Broadcasting Authority (IBA). Independent Radio News (IRN) is produced from London. This service of national and international news is taken by all ILR stations. The first stations opened in 1973. Programmes are broadcast on both MF and VHF/FM on transmitters constructed and maintained by the IBA. Coverage areas are generally smaller than those of the BBC 'county-wide' stations. An ILR service can be received during daylight hours by some 85% of the population.

1.6 As in ITV, ILR stations pay a rental for the transmitting and regulatory services provided by the IBA, and derive their income from the sale of advertising time. For the year ending 30 September 1986, ILR companies' income from advertising was £66.5 million, net of advertising commission. In real terms revenue was down on previous years, and a number of companies reported a loss. The IBA aims to develop the ILR service to its planned total of 69 stations. But its television and radio services must be financed separately: cross-subsidisation is precluded by law. Further development is likely to be practicable only by linking new areas to existing stations, with the ILR contractors concerned meeting - in advance - the costs of new transmission facilities.

Miscellaneous

1.7 In addition to the services provided by the BBC and the IBA, there are:

(i) 19 university radio stations licensed by the Home Secretary under the Wireless Telegraphy Act 1949. These stations (together with a small number of hospital radio stations) operate on the induction loop principle, which limits the extent to which signals penetrate beyond the premises;

(ii) occasional special event broadcasts licensed by the Home Secretary under the 1949 Act. The Home Secretary announced in January 1986 an experiment in the use of very low powered services at festivals, sporting and other events of not more than 3 weeks' duration. Up to 25 licences a year are available during the two years of the experiment; and

(iii) community cable radio stations now licensed and regulated by the Cable Authority. Several such stations were set up after 1978. Only two remain (at Milton Keynes and Thamesmead).

Services Deferred Pending the Consultative Document

X 1.8 The Government announced in June 1986 that it had not proved possible within the present statutory framework to devise satisfactory arrangements for a planned experiment in community radio. It ~~was~~ decided instead to look again at the scope for the development of this kind of radio service in the context of this consultative document. Paragraphs 2.15 - 2.17 below look at the case for community radio, and Chapter 6 considers the scope for future development.

1.9 The Cable and Broadcasting Act 1984 permits the IBA to raise a loan for expenditure on transmitters for a new national commercial radio service. Further legislation would be needed for the service to be introduced. The second of the two national VHF/FM networks which will become available for UK broadcasting after 1990 could be

used for it. The case for such a service is considered in paragraphs 4.15 to 4.21 below.

THE AUDIENCE FOR BBC AND ILR SERVICES

1.10 Radio is gaining in popularity. A survey undertaken by the Joint Industry Committee for Radio Audience Research (JICRAR - comprising ILR stations, advertisers and agencies) in spring 1986 indicated that a decline in listening had been reversed. Within ILR areas, 793 million hours were spent listening to the radio each week by 35.4 million adults, an increase of 24% in listening hours since 1984 as against an increase in population served of 8%. Over 90% of the public listen to the radio each week. Where ILR is available its audience share on average is 28%, and is heard at least once by 45% of its potential audience. The comparable figures for BBC stations, as estimated by JICRAR in ILR areas, are: Radio 1 27% and 45%; Radio 2 19% and 35%; Radio 3 2% and 9%; Radio 4 12% and 22%; and BBC local radio 9% and 21%. The weekly audience reach for both ILR and BBC Radio 1 is approximately 17 million, with 13 million for Radio 2, 8 million for Radio 4 and BBC local radio and 3 million for Radio 3.

1.11 BBC audience research figures are compiled on a different basis. The BBC measures audiences throughout the UK, whilst JICRAR relates only to ILR areas. Although the two systems show a broadly similar pattern, BBC audience research shows a daily share of 30% for Radio 1 and 24% for ILR. BBC figures also show a daily share of 12% for BBC local radio throughout the UK, with a weekly reach of 23%.

1.12 The JICRAR figures show that the audience of ILR stations (with some variation between individual stations) broadly reflects the age profile of the population as a whole. BBC audience figures show that Radio 1 appeals predominantly to the young (78% under 35), while the other networks are more popular with middle aged and older listeners (72% of Radio 2's audience is over 45). Overall, the age pattern of the BBC radio audience closely matches that of the UK population.

NATURE AND REGULATION OF EXISTING SERVICES

1.13 Radio was recognised at its birth as a medium of particular flexibility, power and intimacy. It can speak with authority to a mass audience as individuals. It has immediacy, but also a unique appeal to the imagination. It is a medium of great versatility, with achievements encompassing journalism, light entertainment, drama, education and music of all kinds among much else. It was also obvious at the outset that access to and use of the radio spectrum needed to be regulated both to prevent interference with other services and to ensure that the spectrum, as a finite resource, was used effectively and economically in the public interest. It was also felt that the nature of the medium - in particular its wide availability and its directness - gave rise to a need for special arrangements for the regulation of programme content.

1.14 The coming together of these considerations resulted in a concept of public service broadcasting, accepted by successive Governments (and applied later to television in the same way as to radio). Under the concept broadcasting is to be used for the public good, rather than for the benefit of particular groups, and must be of high quality. Various consequences have flowed from this in terms of the nature and regulation of radio services. Responsibility for broadcasting has been given to public authorities, appointed as trustees for the national interest in broadcasting and independent of Government in programming matters. There should be an arm's length relationship between the broadcasting authorities and Government; and the former should be free of Government intervention in their day to day affairs and in the content of their programmes. There is a duty (in the case of the IBA, a duty in the Act) on the authorities to provide services which inform, educate and entertain, maintaining a high general standard both technically and in matters of content, and a proper balance and a wide range in subject matter. This reflects the notion - sometimes referred to as the principle of universality - that because the limitations of the spectrum have meant that services are relatively few in number, they should provide something of appeal

to each citizen and licence-payer. A sufficient amount of time must be devoted to news, which must be presented with accuracy and impartiality. Due impartiality is similarly required in the presentation of matters of public or industrial controversy or relating to current public policy. Unsuitable material (eg incitement to crime) must not be broadcast. In the case of ILR, programmes must contain a proportion of matter calculated to appeal to the tastes and outlook of persons covered by the station, and where a language other than English is in common use, a suitable proportion of programmes should be in that language. The IBA is also responsible for supervision of the amount and content of advertising.

1.15 It also follows from this concept of public service broadcasting that, within the limits of resources, the radio services provided by the broadcasting authorities should be available to as much of the population as is practicable: this is another aspect of the principle of universality mentioned above. The Peacock Committee suggested that there was much confusion about public service as an aim. The Committee noted, however, that most broadcasters referred to the duty to 'inform, educate and entertain', and to the principle of geographical universality. The Committee went on to suggest (para 580 of the report) that the best operational definition of public service is simply any major modification of purely commercial provision resulting from public policy. The Committee noted that, defined in this way, the scope of public service will vary with the state of broadcasting itself. It envisaged that in a free broadcasting market there would remain a need to subsidise 'public service' programming in the narrower sense of programmes which the market might not produce unaided, but which citizens, as taxpayers, would wish to have made available (paragraphs 682-687).

1.16 In this Green Paper, the expression, 'public service broadcasting' is used in the sense described in paragraph 1.14, ie imposing requirements on broadcasters not simply to refrain from transmitting material which is inaccurate, misleading or unsuitable, but positively to provide wide-ranging programmes of quality. The two broadcasting authorities have at present widely varying resources

with which to meet these obligations. BBC national radio is streamed into Radios 1-4. In contrast, the IBA contracts with just one ILR station in each locality except in London, where news/information and entertainment services are provided by separate stations.

Miscellaneous Services

1.17 Because the miscellaneous stations (see para 1.7 above) licensed under the 1949 Act operate at a very low power and have a 'closed' audience, they are subject to minimal regulation. Unsuitable material (eg incitement to crime or disorder) is prohibited as a licence condition, and any advertisements must comply with a code of practice similar to that governing ILR. Equipment is liable to be inspected on the Home Secretary's behalf by Department of Trade and Industry (DTI) engineers to ensure that no interference is caused to other radio users. This general approach appears to have worked adequately.

THE FREQUENCY POSITION

1.18 Frequency usage in the UK is governed by the International Radio Regulations. The Regulations set out the broad division of the radio spectrum amongst many different types of users (broadcasting, navigation, telecommunications etc). Since radio waves do not recognise national frontiers, the actual use of radio and television transmitters within each country has to be agreed internationally if interference is to be avoided.

1.19 The number of radio stations which any country can have is determined, among other factors, by:-

- (a) the frequencies assigned to it internationally;
- (b) the size of the country (the larger it is the greater the capacity to re-use the same frequency in different locations without interference);

(c) the technical standards it applies (high separation between channels improves quality of reception but obviously reduces the number of channels available); and

(d) decisions about the sizes of coverage area and transmitter power (eg whether a frequency should be used to provide a national network or a series of separate local stations).

The Broadcasting Bands

1.20 Spectrum allocated to off-air radio broadcasting in the UK is divided into 3 bands: LF (low frequency or long wave), MF (medium frequency or medium wave) and VHF/FM (very high frequency or frequency modulation). (Short wave or HF (high frequency) broadcasting allocations in the UK are used only for external services.) LF signals have very long range. Just one high power transmitter will provide a service to most of the UK. The UK has two LF frequencies. Only one is used (for Radio 4). The other is subject to very high interference levels and has not so far been considered suitable for continuous use.

1.21 MF signals have a shorter range. Between 30 and 40 main transmitters (together with 60 local relays) are required to provide coverage of the BBC national networks throughout the UK. The BBC and IBA also have 100 MF transmitters, operating at lower power, for BBC local radio and ILR. MF reception is subject to considerable interference during hours of darkness (an unavoidable consequence of ionospheric reflection and congestion in the band). This is shown in Table 1:

Table 1: Medium Frequency
Coverage of National Networks

<u>% Population covered</u>		
	<u>By Day</u>	<u>After Dark</u>
Radio 1	96	57
Radio 2	98	65
Radio 3	87	38
Radio 4	98	91

1.22 VHF/FM signals have the same coverage day and night. Broadly speaking, this is limited to a line of sight from the transmitter. This in turn implies a greater number of transmitters than for MF coverage. For each national VHF/FM network, the BBC has some 34 main transmitters and 90 low power transmitters which provide coverage to 97% of the population. Over 150 additional low powered transmitters for each network are planned to extend national coverage to an additional 2% of the population.

1.23 VHF/FM is subject to much less interference, and provides a quality signal for stereo transmission.

1.24 There has been consumer resistance to VHF/FM listening. In 1983 85% of households had at least one set capable of receiving VHF/FM, and 29% of car radios could receive VHF/FM. But recent research shows:

- 49% of listeners always use MF
- 20% always use VHF/FM
- 16% use both MF and VHF/FM
- 15% don't know

1.25 Use of VHF/FM is highest in the middle of the age range: only 30% of 15-24 year olds ever listen on VHF/FM. But use of VHF/FM varies markedly accordingly to station preference, and the relative unpopularity of VHF/FM on the part of the young probably reflects the fact that Radio 1 lacks its own VHF/FM network. Tuning on VHF/FM requires a rather finer touch. But the research indicates that there is no real antipathy to VHF/FM as such, but rather inertia and the

absence of any strong incentive to use it. VHF/FM car radios are also expensive.

1.26 The indications are, however, that VHF/FM listening is increasing gradually, by a few per cent a year.

The availability of spectrum

1.27 There is no prospect of additional services on the LF band.

1.28 The MF band offers more scope. If there was no further expansion of the BBC and IIR networks, up to one hundred frequency assignments would become available for new stations. These assignments are internationally agreed and tied to particular sites and power levels, so that any significant changes to the plans would need to be cleared internationally. This might prove difficult, particularly in the South East, where the potential for interference to and from the continent is an inhibiting factor.

1.29 The VHF/FM position is better still. The allocation of 87.5-88 MHz (currently used by private mobile radio) will become progressively available for low powered broadcasting use. As already explained, by 1990 spectrum for two further national networks will become available when the police and emergency services move to another part of the spectrum. By 1996, a further section of the VHF/FM band will become available for broadcasting use, following the move of land mobile radio services used by the fuel, power and transport industries. Decisions have to be taken on how this additional spectrum should be used, in terms of national versus local services, and by whom.

1.30 At present, the relevant part of the VHF/FM band looks like this:

Table 2: VHF/FM Band, Present use

88 MHz	90.2	92.4	94.6	97.6	102.1	104.6
Radio 2	Radio 3	Radio 4	BBC & ILR local radio	Police and fire emergency services	BBC & IBA local radio	

1.31 Table 3 displays future planned and possible uses of the band (including the separation of 94.6-97.6 MHz and 102-104.6 MHz into distinct sub-bands for BBC and IBA local radio services):

Table 3: VHF/FM Band, Future use

7.5	88	90.2	92.4	94.6	96.1	97.6	99.8	102	103.5	105	108	MHz
Available from 1987	Radio 2	Radio 3	Radio 4	BBC local radio	ILR	Available from 1990 assigned to BBC for Radio 1	Available from 1990 for new national radio service	ILR	BBC local radio	Available from 1996		

Radio and Direct Broadcasting by Satellite (DBS)

1.32 The UK has been allocated spectrum at 12 GHz for 5 DBS television channels. The IBA has awarded contracts to provide services on 3 of these channels. Under the MAC transmission standard each channel can in addition carry 8 mono or 4 stereo sound channels. (A single DBS television channel given over to radio could yield some tens of sound channels.) These would provide high quality digital sound giving national coverage. They would need an antenna installed in line of sight to the satellite which would feed a special receiver. Reception on hand-held or car radio receivers would be very difficult because of the characteristics of radio waves at such high frequencies. The IBA's current plans for a DBS service do not include the provision of a separate sound radio service, for which specific legislative provision would be needed.

Simulcasting

1.33 Simulcasting in this paper is used to mean the broadcasting of the same service on different wavelengths. Most BBC and IBA services are simulcast. The reasons for this duplication are partly historical. VHF/FM broadcasting was only introduced when LF and MF services were well established. There are still large numbers of LF/MF only sets in use; and some parts of the country are still unable to receive adequate signals on both LF/MF and VHF/FM. To this extent, simulcasting is a reflection of the principle that public service broadcasting should provide geographical universality of coverage. On another view, simulcasting is a waste of a finite resource. It is forbidden in some countries, including the United States (but the Federal Communications Commission is being pressed on commercial grounds to permit AM stations to add an FM service).

1.34 At the request of the BBC and the IBA, the Government approved in 1985 an experiment in split frequency local broadcasting, involving the transmission of separate programmes on MF and VHF/FM. A dozen BBC local radio and ILR stations are currently providing separate services on their two frequencies for up to ten hours per week. (Frequency splitting on the BBC's national services has taken place for some years, and has been left to the BBC to decide.) The experiment has enabled stations to provide ethnic programming, sports commentaries, specialist music programmes or simply an alternative music or speech service on one frequency while maintaining their 'normal' service on the other. The experiment is due to end on 30 April 1987.

Conclusion

1.35 There are some spare frequencies in the honeycomb of existing BBC and ILR services. More frequencies would become available at specific locations if the planned expansion of BBC and ILR services was curtailed. Significant changes in the agreed technical characteristics, such as transmitter site, aerial height or power, would however require international agreement. Additional

VHF/FM spectrum in the allocation 87.5-88.0 MHz will become progressively available; a further section of the VHF/FM band by 1990; and still more by the mid-1990s.

1.36 In the meantime, the spectrum available on LF, MF and VHF/FM could be used in different ways. For example, the frequencies used by a national network could be used at lower power to provide an increased number of local services. The annex to this Green Paper outlines some of the technical options here. Additional services could also be provided if simulcasting was ended or technical standards reduced by reducing channel separation in a particular area. If all these changes were made, and taking account of the availability of additional spectrum, there would over a period be scope for a number of new national networks and several hundred new local stations of varying size.

OVERSEAS POSITION

1.37 In Western Europe radio has been through an era of rapid change. The pattern of radio provided by public broadcasting bodies on public service principles was challenged by a proliferation of pirate stations playing popular music. All over Western Europe radio then mushroomed, spawning a large and diverse number of more or less commercial local services, some having a distinct political flavour, and generally rather lightly regulated. Many have proved to be short-lived. Others have struggled. Others have proved very successful. In the UK, radio has remained on public service lines, though the challenge of pirate stations was one factor leading to the introduction of commercial radio and to important modifications to BBC services.

1.38 In other advanced democratic societies commercial radio has had the great advantage of preceding commercial television. In general this has led to the establishment of a much larger number of local stations than we are used to, and a greater diversity of local choice. The principle of community radio - particular groups broadcasting to particular audiences - is well-accepted as another alternative to public service broadcasting.

1.39 In general, experience of a number of other democratic countries show the possibility of a much less regulated system of radio.

CHAPTER 2: CHANGE IS COMING

2.1 There are a number of factors making change possible: some arising from within the established system of broadcasting, others from outside it. It is essential to look at these together to ensure coherent development of policy to take full advantage of the opportunities for change.

Additional Spectrum

2.2 The present system of regulation came about partly because the spectrum was a scarce resource, and it was thought that for this reason it should be organised under public service broadcasting principles. But, as noted above, new broadcasting spectrum to support hundreds of new services is in prospect. We need to decide how it should be used, so that any necessary legislative changes can be made in good time. In particular, decisions are needed on the introduction of national commercial radio on the VHF network available from 1990.

Pressures on ILR

2.3 The rapid development of ILR, its popularity and vitality, clearly represent considerable achievements by the IBA and the companies concerned. Nonetheless, there has been widespread questioning within the radio industry of the present system for regulating ILR, under which the IBA is responsible for the provision of public service broadcasting by contractors. These questions have been given impetus by developments in other countries, and the much lighter regulatory framework contemplated for the experiment in community radio (see para. 2.16 below). In particular, attention was drawn to the wide disparity between the operating costs of ILR and the likely costs of the planned experimental stations; to the arrangements for community stations to own their transmitters and broadcast direct to the public; and to the much less elaborate controls over programming and programme standards envisaged for community radio. The ILR industry considers that fresh legislation

is needed to relieve the IBA of many of its present statutory responsibilities. It has suggested that a measure of de-regulation on such matters as programme and advertising controls, hours of broadcasting, funding of operations, manning levels, news services, (eg the choice whether or not to subscribe to IRN) ownership of stations and technical standards would both benefit the industry and enable the stations themselves to gauge the needs of their audiences.

2.4 Underlying this wish for moves towards de-regulation is a genuine concern about the financial basis of the industry. Although successful in attracting audiences in competition with the BBC, ILR has not attracted advertising revenue to a corresponding degree. Since 1984, revenue from local advertisers has grown, but that from national advertisers has declined from £39 million to an estimated £33 million last year - and this at a time when total advertising expenditure is expanding rapidly. Only 26 ILR companies are in profit, and of these, 6 account for £2.6 million out of a total profit of £3.7 million. These figures reflect wide differences in the size of ILR contractors in terms of the potential audiences they command. The pattern is one of a small number of large companies recording good financial results but a large number of small companies finding it hard to attract sufficient advertising. The two London ILR contractors together attract more advertising revenue than the 36 smallest contractors in total.

2.5 At the same time the a number of costs facing the industry have been outside its control. Although the IBA has recently reduced rental payments (by 10% in April 1985 and then at least 26% a year later), the industry has undoubtedly, taken as a whole, been squeezed. Music royalties (see paragraph 2.11 below), IBA rentals and the costs of INR (which all ILR companies are contractually bound to share) together account for over a quarter of all costs.

2.6 Despite the recent substantial reduction in rentals by the IBA, the financial health of some companies is likely to continue to give cause for concern. This is particularly so given the increased competition from other media (see paragraph 2.25).

2.7 The financial pressure on ILR has been reflected in programmes. The drama and education output has been limited. The need for economies in stations has had implications for the coverage of local news. None of this detracts from the real programme achievements of ILR in several fields, and different stations have different styles. But is it still sensible to expect each small independent local radio station to provide a microcosm of the public service broadcasting output of four BBC national networks?

2.8 ILR's special strengths are its local dimension and community involvement. These strengths may be at risk. Apart from the need for ILR contractors to look carefully at the resources ^{which} they can commit to news, lack of money has in the past year or so ruled out any development of ILR by the IBA other than by way of linkage to existing ILR contract areas. Although this approach provides an ILR service to areas which would otherwise have to do without, it might be seen as a dilution of the local dimension. (On the other hand, ILR service areas are generally, as noted above, smaller than those of their BBC counterparts.)

2.9 Some reservations about the maintenance of the local character of ILR have also been expressed as a result of a recent trend towards concentration of ownership. Ailing ILR stations have been taken over by more profitable contractors. Gwent Broadcasting and Centre Radio went out of business and were taken over by Red Rose Radio and Radio Trent respectively. Red Rose already had a major interest in Radio Aire in Leeds and acquired a controlling interest in Cardiff Broadcasting. Foreign investors have quickly built up substantial (though not majority) shareholdings in a number of ILR companies. These developments have been approved by the IBA, which is responsible under the Broadcasting Act for ensuring that services maintain their local character. But if a trend towards regional or inter-station programme sharing also continues to develop it may become increasingly difficult for the IBA to reconcile these responsibilities with the commercial realities facing the industry.

2.10 A further source of financial pressure on ILR is copyright. There are two issues here; permission and payment for the public performance of records; and 'needletime', ie limitations on the time devoted to commercial records. The issues are however interrelated since a given level of copyright fees represents the commercial value of the needletime to which it relates. As to fees, all Western European states are parties to the Berne Copyright Convention. They must, therefore, ensure that authors (including composers) have the right to control the broadcasting of their works. The UK and a growing number of other States also accept a separate obligation to provide protection for performers and makers of sound recordings in accordance with the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations. These obligations are reflected in the UK in the Copyright Act 1956 and the Performers Protection Acts 1958-72. The public performance of a recording in any form requires permission from the owners of copyright in the recording. For the most part, this permission has been vested by composers in the Performing Right Society and by record companies in Phonographic Performance Limited (PPL). PPL licences the BBC and ILR to use records in the PPL repertoire up to a certain number of hours at a specified scale of payment.

2.11 ILR believes that these fees are too high. Some stations have to pay a royalty of over £30 to PPL for each record played. Lengthy proceedings have been brought by ILR before the Performing Right Tribunal with a view to reducing the level of fees.

2.12 If fees are at a certain level then the broadcasting of records covered by these arrangements may be beyond the reach of small radio stations. It is however possible that new sources of recorded music might emerge to meet the demand. The Government recognises that a collecting society with a monopoly of the most popular repertoire may be able to exploit its position to the disadvantage of potential users. That is the reason why the Performing Right Tribunal was set up, with powers to determine charges, terms and conditions in the event of a dispute. In the White paper on intellectual property and innovation published in

April 1986 (Cmd 9712), the Government put forward proposals to enable the Tribunal to function more effectively.

2.13 Needletime is also within the jurisdiction of the Tribunal. The current agreement on needletime limits ILR stations to a maximum of nine hours PPL material in any one day, or 50% of the broadcast day, whichever is the less. (The BBC has the advantage of being able to divide its needletime between its different streamed services.) There will thus need to be flexibility on the part of PPL and the Musician's Union if there is to be a prospect in the UK of radio stations broadcasting more recorded music, or of continuous music stations such as exist in other countries and for which there would seem to be a demand in the UK. Equally, there would be little purpose in introducing new national networks on a commercial basis (see Chapter 4), if they were unable to secure sufficient needletime to enable them to compete effectively with the existing BBC national services. As outlined later in this Green Paper, the Government believes that the development of new and different kinds of radio services should be possible, and hopes that a satisfactory agreement on needletime can be reached between the various parties.

2.14 As the Whitford Committee on Copyright and Design Law noted in 1977, the UK has no international obligations as regards needletime. The only obligation is to ensure proper remuneration to composers, record makers and performers. As outlined above, arrangements already exist for the payment of royalties. More needletime need not result in less live music broadcasts, particularly if new radio services are allowed to develop; given these new services, there would be more opportunity for the exercise of consumer choice between live broadcasts and recorded music.

Community Radio

2.15 The Government announced in 1985 its intention to establish an experiment in community radio in twenty-one different places throughout the country. Two possible concepts of community radio were canvassed, with the aim of broadening the diversity of consumer

choice by providing services distinct in character from those available from the BBC and IBA. The first, the 'neighbourhood' concept, represented the most local form of broadcasting with a service radius of 5 kilometres. The second, the 'community of interest' concept, envisaged stations with a service radius of 10 kilometres broadcasting to, for example, an ethnic group or those interested in a particular type of music. The two concepts were not regarded as being mutually exclusive.

2.16 The services provided by these stations would not have been 'public service broadcasting' as described in paragraph 1.14 above. The intention was that the stations would have been subject to the minimum of regulation consistent with the public interest; would have been permitted to adopt their own editorial point of view; the smaller (neighbourhood) stations would have been permitted to carry sponsored programmes; and the stations would have owned their transmitters and thus broadcast themselves, rather than through a public authority such as the IBA.

2.17 A total of 266 applications were received for 21 experimental licences, about two-thirds for the 5 licences available in London. The number and quality of the applications suggests a strong potential for services which appeal to very local or specialised interests, for example, services which meet the needs of ethnic minority communities or those for whom English is a second language. We do not yet know the extent of the audience for such services. But the enthusiasm reflected in the applications, and the impact of some 'pirate' radio stations, suggests that the demand is there. The appearance of pirate stations also shows the ease with which studio and transmitting equipment can be installed at relatively low cost - though of course with disregard of the dangers of overlapping frequencies and interference.

The Peacock Committee and the Role of the BBC

2.18 The success of the BBC in providing, developing and sustaining radio services of wide range and high quality on an

unrivalled scale is so well recognised, both at home and abroad, and so familiar that its achievements are sometimes taken for granted. Without BBC radio the cultural history of the country would look very different. Nonetheless, even before the publication of the report of the Peacock Committee questions were put about the role of the BBC in relation to radio, particularly local radio. The Annan Committee^x doubted in 1977 (paragraph 831) whether it was appropriate for the national broadcaster to provide local radio stations. Neither the BBC nor the IBA has been or is required to have regard to local radio services provided by the other authority in planning the nature or pattern of their services. BBC local radio has the advantage of not having to rely on large audiences for income, and so has scope for broadcasting programmes of minority appeal to an extent that ILR might find difficult. But in fact the BBC and the IBA to a large extent regard their services as competitive, and ILR might be said to be competing with both the BBC's national networks and the Corporation's local radio services.

2.19 The Annan Committee^x commented (paragraph 7.7) in 1977 that the BBC and IBA pursued similar objectives, and that they tended to pursue them in broadly similar ways. The effect has therefore been to narrow the range of choice for the public. This may be true of radio today, and raises questions about the proper scope of the BBC's activities in broadcasting generally. So far as radio broadcasting is concerned, it is arguable that a narrower, more defined role for the BBC would concentrate the mind of the Corporation in deciding priorities within radio, and settling the proportion of resources which ought properly to be allocated to radio rather than to other services. On the other hand, the principle of universality suggests the need for the BBC to ensure that its programming, taken as a whole, is of wide appeal.

2.20 The Peacock report substantially widened the debate about the role of the BBC, not only at local but also at national

^xReport of the Committee on the Future of Broadcasting: Cmnd 673.

level. The Committee undertook a useful analysis of the economics of broadcasting and related matters. Much of their work was original. Debate on the future of radio needs to be informed by the Committee's thinking. A majority recommendation of the Committee was that BBC Radios 1 and 2 should be privatised and financed by advertising. The recommendation envisaged that Radios 3 and 4 would preserve their present character, and that the privatised Radios 1 and 2 would come under the auspices of the IBA. In the view of the majority of the Committee, advertising on Radios 1 and 2 would make radio more attractive to advertisers, and provided that there was a looser form of regulation for independent radio generally (under which stations would own their own transmitters, and be responsible for the content and quality of broadcasts in their areas), ILR stations would be able to compete effectively with the new Radios 1 and 2.

2.21 The majority of the Committee went on to suggest that there was a case for merging local radio stations in some areas. A possible two-sided mechanism would enable the BBC to take over failing ILR stations at a negotiated price, and permit the stronger ILR stations to buy out a BBC station if and when the BBC was willing to sell. The needs of the different age groups and interests for which the BBC and ILR stations tend to cater could be met by frequency splitting. Additional frequencies allocated to local radio would be auctioned to the highest bidder.

2.22 In parallel to the process of merger of ILR stations envisaged by the Committee, the majority of the Committee suggested that ILR companies ought to be permitted to own smaller associated stations which would 'opt in and out' of a local or regional support service. This 'mother hen' approach would act as a counter-weight to any tendency towards regional radio. The smaller local stations could provide, in the few hours a day they were on the air, a service of conspicuously local news or information aimed at coverage areas significantly less than that of the existing ILR stations. As the Committee noted in its report, satellite stations on this model operated by the BBC in Scotland, Wales and Northern Ireland have been inexpensive but apparently well appreciated.

2.23 The minority view of the Peacock Committee was that the BBC should have the option to privatise Radios 1 and 2 and local radio in whole or in part but should not be required to take this step. This reflected their concern that privatising Radios 1 and 2 would seriously damage the residual BBC radio services, and could cripple ILR companies. The minority on the Committee concurred in the recommendation that the IBA's regulation of radio should be replaced by a looser regime, and expressed the belief that the popularity of local news, travel and other features would ensure the continuation of this type of programme in a de-regulated ILR system.

2.24 The Committee's more general conclusions are also relevant to the future of BBC radio services, particularly the prospect of the replacement of the television licence fee by a system under which payment for television services is made on a subscription basis. Under such a system, new arrangements for the financing of public service sound broadcasting would be needed because of the present oddity under which BBC radio is wholly financed by television viewers out of the licence fee. Various options might be developed*, including the financing of these services by advertising; by cross-subsidisation from television subscriptions; grant-aid from a body of the kind envisaged by the Committee for the specific purpose of maintaining Radios 3 and 4 and local and regional radio; or a combination of these elements.

Competing Media

2.25 As outlined in paragraph 2.6, radio faces increasing competition for audiences from other media, and ILR faces increasing competition for revenue from the same sources. The introduction of breakfast television had a clear impact on audience figures for radio at what was traditionally the peak period for radio listening. The

*Peacock Report, paragraph 685

introduction of day time television, cable and satellite services may similarly work to the disadvantage of radio. Equally the extent to which these and other developing media (including free sheets and newspapers) depend upon advertising for their revenue is certain to have implications for the funding of ILR.

Engineering and Technological Developments

2.26 Radio sets of a reasonable technical quality have for long been readily available at relatively low cost. Changes in transmission and power levels have resulted in improved reception of some services. There has also been a steady growth in the number of VHF/FM transmitters and thus in the number of people able to receive on VHF/FM.

2.27 Radio engineers have now made it possible to use spare capacity within radio frequencies to carry information 'piggy-back'. By this means, sound radio channels can be used to generate a visual display, to transmit computer software, to carry other information, or to provide automatic re-tuning of car radio receivers as the vehicle moves from the service area of one transmitter to another. Recently, the IBA has let two contracts in London for radio data services, such as the provision of financial information from the principal markets. The services are expected to begin this year. BBC transmitters have been used to activate domestic night storage heaters. These services have a clear potential for raising revenue for radio broadcasting, as well as for improving reception (particularly on VHF/FM).

Conclusion

2.28 Radio is poised at the beginning of a new chapter in its history. It remains a popular medium with unique qualities and potential. Audiences are buoyant. There appears to be a healthy demand for new services. Spectrum will be available. But there are large question marks about the funding and resourcing of radio as we now know it.

CHAPTER 3: THE QUESTIONS TO BE ANSWERED

3.1 This background suggests the following as starting points for an assessment of the choices and opportunities for the development of radio:

(i) While there has been little evidence of dissatisfaction with the range and quality of the national services now provided by the BBC, there has been no competition at this level. There has therefore been no opportunity for the benefits of competition to be given full play, however excellent the BBC's performance may be.

(ii) In contrast, there is evidence of stagnation in radio at the local level. Both the BBC and ILR stations may find it difficult to maintain audiences in the face of the increasing competition from other media, and the prognosis for the financial well being of ILR under the present statutory framework is poor.

(iii) There is evidence of unmet needs in broadcasting at a local level, whether in terms of local, ethnic or specialist interests.

3.2 The main questions to arise in considering future radio services are:

- What should be the broad pattern of radio services? In drawing up a pattern for the future, we need an acceptable balance between national, regional and local services.

- Within this pattern, should all services be 'public service broadcasting', or should other types of service be permitted? In other words, is it still realistic or necessary for all radio at all levels to have to be of high quality and inform, educate and entertain? If other kinds of broadcasting are allowed, what safeguards are needed for the public?

- What should be the balance between the provision of services by public authorities, commercial operators and community or other voluntary groups? We have to consider how the various services might be funded; what regulatory regime would best fit the different tiers of service, and how that regime should be enforced.

3.3 The Government does not believe that the answers to these questions can take the form of a detailed blueprint. We aim rather to create in new legislation the best set of opportunities for radio. But we need to remember two important principles:

(i) Whatever other decisions may be made in relation to the future of public service broadcasting, it would be right to maintain the public service principle that all broadcasting should be free from Government interference in day to day affairs and in deciding and regulating the content of programmes, subject to a prohibition on the broadcast of material which falls within well-understood categories of unsuitability (eg material likely to incite to crime or disorder); and

(ii) The frequency spectrum is a finite public resource. For this reason, and the considerations about frequency planning and frequency management set out above, control of the spectrum used for broadcasting must remain with the Government or a public authority acting on behalf of the Government.

CHAPTER 4: NATIONAL SERVICES

4.1 The Government's preliminary views can be summarised as follows:

- (i) there is a continuing need for public service broadcasting at national level. The BBC should continue to provide programmes of high quality, comprising information, education and entertainment and of wide range and diversity;
- (ii) it should remain for the BBC, not the Government, to decide how these obligations should be met, subject to the availability of resources;
- (iii) but the BBC should meet these obligations with less spectrum than it now has: some of the national frequencies assigned to it could be better used to allow new national radio services, provided on commercial lines. These will bring more choice for the listener and the stimulus of competition for the BBC;
- (iv) these new services need not take the form of public service broadcasting in the positive sense of being required by law to provide a wide and diverse range of education, information and entertainment. They do not need to be provided or transmitted by a public broadcasting authority;
- (v) the new services will however need to be supervised by some regulatory agency responsible for selecting the broadcasting companies and ensuring that their services do not include unsuitable, misleading or offensive material;
- (vi) while those mounting new services should be free to make their own arrangements for transmission, there should be restrictions on 'cherry picking': ie the provision of the services only to those parts of the country which would maximise the operator's profits.

Public Service Broadcasting

4.2 In the case of television the Peacock Committee looked forward to the development of a free market in broadcast services, based on consumer sovereignty, in which it would no longer be necessary to require all services to be provided as public service broadcasting by public authorities. The Committee saw two conditions as necessary for the development of such a market: a large number of channels and a system for viewers to register their preferences by direct subscription payment. How do these conditions apply, in the foreseeable future, in the case of radio?

4.3 ~~They do not, at least in the case of national radio services as we now have them, broadcast from ground transmitters.~~ Even with the additional broadcasting spectrum now in prospect, and even if all simulcasting were ended, there could not be more than at most a dozen national channels. And subscription does not seem a practical option given the simplicity and cheapness of most radio sets.

4.4 There are of course other differences between the cases of television and radio. Because radio technology is simpler and cheaper, services, can be brought into being more quickly. And there is spectrum for local radio services broadcast off-air in the same way and receivable on the same set as national services, to an extent which does not exist in the case of television. So there is no automatic read across between the two media. But on the Committee's analysis, public service broadcasting, as provided by the BBC, may still have a part to play in radio at the national level.

4.5 In fact, the Government believes that the part is an important - though not an exclusive - one. First, because national frequencies are in short supply, there is still a good case, as there was at the birth of radio, for arrangements dedicated to producing high quality services which aim to reflect the education, information and entertainment needs and interests of the nation as a whole. (As explained in paragraphs 1.21-1.25 above, the shortage of national frequencies is made more acute by the reception problems associated with MF and LF and the limited penetration so far of VHF/FM.) And

The conditions
do not apply
in the
case of
national radio
services

which are
broadcast
from
ground
transmitters -
as all
national
services
in the UK
also still are.

Grammer
17

once programmes of national quality have been produced it makes good sense for them to be broadcast to a national audience at low marginal cost.

4.6 Second, the assurance that such services are available from the BBC makes it easier to envisage a lighter system of regulation for other national services that might be introduced. While the number of frequencies suitable for national services is not so large that the concept of public service broadcasting can safely be discarded, neither is it so small that they should all be reserved for the BBC as national broadcaster. The concept of public service broadcasting as set out in paragraph 1.14 above includes not only obligations on broadcasters, to refrain from transmitting unsuitable or objectionable material but also positive obligations to attain high standards of quality and range. A lighter system of regulation would omit the latter. Such a system is described more fully in Chapter 7 of this Green Paper.

4.7 The key is to strike the right balance between the BBC and new competition which might operate under such a lighter system of regulation.

BBC Services

4.8 The Peacock Committee thought that the right balance involved the privatising of Radios 1 and 2. But this was on a narrow view of public service broadcasting. In Radios 1 and 2 the BBC is providing entertainment and information services which are clearly popular with a large section of the population, ~~and~~ who fund the BBC radio services out of the television licence fee. They enable the BBC to cater for majority and minority tastes, and to deliver the wide range of programming which is a feature of public service broadcasting. X

4.9 The Committee envisaged that Radios 3 and 4 would retain their present character after the disappearance of Radios 1 and 2. Consistent with the principle that the broadcasting authorities should be free of Government interference in the content of

programmes, there is no means by which the Corporation could be compelled to maintain Radios 3 and 4 in their present form. The BBC has already expressed the view that it would be failing to meet its responsibilities were it not to provide services comparable to Radios 1 and 2 on its remaining frequencies. This might well entail reductions in the Radio 3 services, which is the least popular in straight audience terms and one of the most expensive of the BBC's national networks.

4.10 The Government's preliminary view is therefore that there is no clear benefit to be gained from privatising Radios 1 and 2, if by this is meant attempting to prevent the BBC from providing these services. Furthermore, it is not easy to see what might be privatised. Radios 1 and 2 share some accommodation, technical and other facilities with Radios 3 and 4. Their presenters are under contract to the BBC, and not to one or other of its particular radio channels. Radios 1 and 2 have few separate saleable assets. They account for only 24% of the total operating costs of BBC radio. Much of the value of Radios 1 and 2 lies in their frequencies. But these are national resources, assigned by the Government. They are not the BBC's to sell. The idea of privatising the networks would not even have the benefit of producing significant savings for the Corporation.

4.11 The Government does not itself, therefore, wish to suggest that the BBC ought to curtail its range of services. But there is a strong case for asking the BBC to meet its public service commitments with fewer frequencies than it now has, to make room for competition at the national level. The BBC could do this in two ways and it would be for the BBC to make this choice. One would involve an end to universal simulcasting. Because of the differences in MF and VHF/FM reception noted above, this would mean that the services (while costing the same to produce) would be obtainable by fewer people than now. (On the other hand some frequency splitting at national level already takes place, eg the splitting of Radio 3 to cover cricket on MF). The other way would involve simulcasting the present range of services but reducing the quantity.

4.12 So there would be some loss. But the Government believes that this would be outweighed by the broadening of consumer choice that new services would bring, and by the stimulus of competition which BBC national radio - despite its many excellent qualities - now lacks. At the same time, if there is no public service broadcasting on radio in competition with the BBC, it places a particular responsibility on the Corporation in respect of programmes such as education, which commercially financed radio could not be relied upon to provide.

4.13 So how many frequencies should be freed for new commercial services? The BBC now has 7 national networks (4 on MF/LF and 3 on VHF/FM) and has been promised an additional VHF/FM network from 1990.

National Commercial Radio

4.14 National commercial radio has so far been envisaged as a service which would be provided by the IBA on the VHF network available after 1990. The Authority has drawn up outline plans which envisage the service having a high proportion of speech to music, with a view to competing with Radio 4. Legislation would be needed for such a service.

4.15 But the options are broader than this. National commercial radio does not have to take the form of a single service confined to a single VHF network, and need not be provided by the IBA.

4.16 In the Government's view there is a very good case for commercial services competing with the BBC at national level in the areas of music entertainment and sports coverage as well as in news and speech. On this basis three networks should be made available for new services: two as a result of reassigning frequencies from the BBC and the third being the VHF/FM network available after 1990. At least one of the networks now used by the BBC should be on MF, bearing in mind that a service devoted primarily to speech is not the best use of the stereo potential of VHF/FM.

4.17 Such a development would be a decisive step away from simulcasting. It would fit in with the view that in the longer term, and with increasing availability of and public familiarity with VHF/FM services, there is a good case for ending simulcasting altogether. If the BBC retained VHF/FM networks (as providing national coverage day and night) MF/LF networks would then be available to provide further new commercial services. The timing of this would depend, amongst other things, on the availability of advertising to support such services, and on their impact on local radio. But it would be sensible to set a target date now for the ending of simulcasting, so that the necessary planning can be put in hand and the public prepared for what will be a large change in listening habits and expectations. The target might be 1995, after which VHF/FM frequencies for local use will be available.

4.18 The Government does not see it as essential for new national commercial services to attract all the obligations currently applying to public service broadcasting, including the requirement that it be provided by a public authority under a legal duty to produce programmes of a defined quality and range. This is of course a possible model, but a different and lighter regime may be appropriate for new services having to compete not only with the BBC but also with independent local radio. And, given the assurance of quality which the continuation of BBC services will provide, there is no reason to build any statutory expectations that new services must between them provide programmes of comparable weight and mix.

4.19 The better approach might be to allow those operating the new services to make their own programming judgements (subject to the lighter regulatory regime described in Chapter 7) in the light of their own assessments of what listeners want to hear. The indications are that new services would be attracted to advertisers to an extent making for attractive programming. There is a wide range of audience interests which in the nature of things can receive only limited coverage on BBC, and an obligation to mirror the BBC would place the new services in too rigid a mould.

4.20 There is, however, one obligation which new national services should meet, which concerns reception rather than programme content. There is a strong case for requiring those providing services on national frequencies to ensure that they can be heard as widely as BBC services are now, so that no listener will lose a signal. The services will not be simulcast, and so could not attain universality of coverage as we now have it on the BBC. But 'cherry-picking' only the most popular areas would mean that the frequencies were not being used to the full.

4.21 An authority independent of the Government will be needed to decide who should provide the new services and then to regulate them under the lighter regime described in Chapter 7. If the services are not set up as forms of public service broadcasting, this authority need not itself be a broadcasting authority, obtaining programmes from contracting companies which it then transmits. Transmission arrangements could be left to those operating the services. They could either build transmitters themselves, rent facilities from the BBC on commercial terms, or share them with local radio. Chapter 6 below proposes that ILR should similarly be removed from the current regulatory framework, and it clearly makes sense for there to be a single body regulating both tiers of independent radio under the same light regime.

4.22 The proposals for lightening the system of regulation for ILR should go a long way to meet the anxieties expressed by a number of ILR companies about the effect of the new national service proposed by the IBA on their audiences and revenues (and endorsed by the Peacock Committee in paragraph 386 of its report in relation to ILR as presently constituted). Opposition to commercial national radio is in any event far from universal within ILR: a number of companies have seen a national commercial service as essential in order to raise the profile of radio as an advertising medium and so bringing in new revenue for the benefit of the industry as a whole. The Government does not think it necessary, given the proposals in Chapter 6, to provide ILR with further protection by, for example, guaranteeing ILR participation in new national services. ILR

contractors will, of course, be able to apply to run these services in the same way as anyone else. But such arrangements would preclude genuine competition for the provision of these services, when competition is of their essence.

DBS Radio Service

4.23 Sound channels on a system of direct broadcasting by satellite established on a commercial basis could in due course open important new opportunities for radio broadcasters and the listening public. The small marginal cost of delivering sound DBS services alongside DBS television channels gives DBS an important advantage over terrestrial radio services and their requirement for an extended transmitter network.

4.24 One possible use of DBS sound channels would be as community of interest services, broadly on the model envisaged for community radio. On this approach, stations might focus their programmes on particular audiences, such as jazz or arts enthusiasts or members of ethnic minorities. This would overcome the problem associated with community radio as so far envisaged: that services would, through the use of low power levels, be restricted to particular localities, whereas jazz enthusiasts, for example, live all over the country. But because it will not be possible to receive the signal without special equipment, the services will not be national in the sense to which we are accustomed, even though the DBS 'footprint' covers the whole country. If the provision of DBS radio services becomes practicable - and this depends in the first instance on the development of television services - appropriate arrangements will be needed for its regulation. Although the transmission would in practice be in the hands of the provider of the vision service (eg the IBA), the radio service could be regulated by the authority having oversight of commercial radio (discussed further in Chapter 7).

4.25 It may be of interest that there are proposals now for the use of one of the transponders on the German direct broadcasting satellite (due for launch this summer) to broadcast 16 digital radio

channels. Most might be classical music because of the high sound quality possible.

Conclusion

4.26 The Government remains committed to the concept of competition, and believes that competition for BBC national services would be of benefit to sound broadcasting generally. For such competition to be effective, two national frequencies will have to be reassigned from the BBC. The new VHF/FM network available after 1990 could also be provided for national commercial radio. The BBC's role as national public service broadcaster would continue, though listeners may have to accept some changes in output or tuning. But the benefits of new services and new choices will outweigh these effects.

CHAPTER 5: NATIONAL/REGIONAL SERVICES

5.1 The BBC national/regional services are a significant part of BBC radio operations. Radio Scotland broadcasts more than one hundred hours a week, Radio Wales broadcasts in English for eighty hours a week, and Radio Cymru in Welsh for seventy hours a week. Radio Ulster broadcasts for seventy hours a week. At other times, the stations relay BBC network services. Audience figures are at about the level of those for Radio 3. The Reports of the National Broadcasting Councils for Scotland, Wales and Northern Ireland suggest that the services are very much appreciated by those living in the national regions. In particular, the services provide a sense of national and cultural identity, and provide programmes which would simply not be available from any other source under existing arrangements.

5.2 These are good reasons for the continued provision of national regional services by the BBC as public service broadcasting. It does not follow from this that the services in Scotland and Ulster should be simulcast indefinitely, particularly given the proposed position on national services outlined above. (The services for Wales are not now simulcast.) The case for simulcasting is also weakened by the use of the output of the UK networks as a sustaining service. On the other hand, there are particular reception difficulties in some less populated areas, and there may therefore be a good case for envisaging the continuation of simulcasting for so long as the frequencies have no alternative use.

5.3 There has been little or no public discussion of the possibility of competition with the BBC national/regional services by commercial services. In Northern Ireland, the ILR station Downtown Radio already covers a significant proportion of the province on VHF/FM. There is, however, scope for development in Scotland, which might provide an alternative use for one of the BBC's present frequencies, if others could not be found without causing interference to other services. Such a development might take the BBC format, with a service covering the whole national region in

association with local stations which could opt in and out. The service could naturally fall under the regulatory and other arrangements proposed for independent national and local radio as discussed in Chapter 7 below.

5.4 The position in Wales is special because of the role of the BBC in providing public service broadcasting in Welsh. There is no obvious reason to wish to disturb the present arrangements. The Government would, however, be interested to know whether there is any support for the idea that the Welsh Fourth Channel Authority (S4C), which provides television programmes for broadcasting on the Fourth Channel in Wales, might have a part to play in the provision of radio services. If it took over the frequencies now used by BBC Radio Cymru it could broadcast a radio service for Wales, taking Welsh language programmes from the BBC in the same way as it does in the case of television. Such a service could be supported by advertising, with a view to S4C making an appropriate payment to the BBC for the use of its transmission facilities. The amount raised in this way would probably be small, but it would contribute to the cost of maintaining BBC Radio Wales.

5.4 Such an arrangement might have the following benefits: it would enhance the role of S4C as providing a focus for the support of Welsh culture; and it could contribute to the maintenance of two channels of public service broadcasting in Wales which the BBC might find it hard to sustain given the other calls on the resources available. Under the developments outlined elsewhere in this Green Paper there would no longer be any other form of public service broadcasting in Welsh.

5.6 The conclusion may be that a change of this kind would yield little tangible advantage, but the Government would welcome views.

CHAPTER 6: LOCAL AND COMMUNITY RADIO

6.1 The Government's provisional views on the future of local services are developed below, but can be summarised as follows:

(i) there is a case for retaining some public service broadcasting at local level. This should be provided by the BBC, which should retain discretion, ~~within the overall resources provided for it,~~ to complete its chain of local stations;

(ii) community radio should be introduced through the UK, finding its place side by side with the existing local commercial stations under a new form of light regulation which they would share; and

(iii) the introduction of new services and the freeing of ILR from public service broadcasting constraints will bring the listener new choices.

if it can afford it under the new arrangements for indexation of the licence fee, to maintain or even

Public Service Broadcasting

6.2 At the local level, public service broadcasting carries much the same obligations as at national level, with the additional obligation on the broadcasting authorities to provide programmes of specific local interest. As explained in Chapter 2, there is now the prospect of enough spectrum to accommodate a large increase in the number of local radio stations, some serving small communities and others larger areas. This will over the next decade meet one of the two conditions identified by the Peacock Committee as necessary for a move away from the public service broadcasting framework. It is possible to argue that that framework is no longer needed for local radio, and that throughout the UK a pattern of local stations will come about, through the operation of normal market forces, which between them meet all reasonable audience tastes.

6.3 We do not think it is sensible to go this far, at least for the time being. The arguments for retaining services with the

current public service mould are perhaps not as strong at the local as at the national level. But not all the new frequencies will be available at once; and while places like London are very likely to develop a rich mixture of services, elsewhere there must be a real risk that something would be lost without some services publicly committed to providing education, information and entertainment at local level.

6.4 Having said that, the Government is sure that there is no need for all of local broadcasting to take the form of public service broadcasting. A system of parallel competing local public service broadcasting stations (BBC local radio and ILR) no longer seems a sensible use of the spectrum. It would not be consistent with the proposals at national level outlined earlier, and it is not working in practice. Although there are some very good ILR services, and some stimulating programming initiatives, on the whole the emphasis has been on radio light on the ear. The IBA's public service broadcasting obligations have sat uneasily with the financial realities facing most ILR stations. This conclusion is no reflection on the achievements of the IBA and of ILR companies in providing services which are popular and have widened consumer choice on radio. There is, therefore, no need for ILR companies to change their approach or their style if they believe that they have got it right now. But there seems equally no need to apply a public service broadcasting approach to which might do as well in terms of quality and audience appeal under a lighter and cheaper system of regulation.

6.5 The Government therefore considers that, for the time being at least, there remains a place for local BBC stations operating under public service broadcasting obligations but that independent radio, financed by advertising, should no longer be required to meet all its present statutory obligations. (It would unnecessarily complicate the framework of local radio and the arrangements for its regulation if public service broadcasting were provided in some places by the BBC, and in others, as the Peacock Committee appeared to suggest, by independent stations which had taken over weak BBC competitors.) It would therefore continue to be for the BBC to

decide, within the resources available to it, to what extent it provided local coverage as part of its general public service obligations, bearing in mind the use made of local news coverage by the national services. The audience figures for BBC local radio have tended to be half those of ILR. But it provides a distinct service: it has, typically, 70% speech to 30% music whereas in ILR these proportions are reversed. This kind of service provides a useful point of departure from independent radio, and the Government has no reason to question the BBC's continuing development of its local radio stations.

6.6 On the question whether BBC local radio services should continue to be simulcast, it is possible to take two views. On the one hand universality of coverage has so far been seen as an important element of public service broadcasting. On the other hand, it would be odd to find BBC local radio simulcast in all cases if, as a result of the frequency reassignment at national level proposed in Chapter 4 above, BBC national radio were not. The Government would welcome views. In any event, the case for simulcasting must diminish over time at local as well as at national level, and the same target date for ending it (see paragraph 4.18 above) might therefore be set.

Community and Independent Local Radio

6.7 As Chapter 2 explains, there is a considerable interest in the development of community radio. The Government believes that there are worthwhile aspirations here which it should meet and which the supply of broadcasting spectrum will enable it to meet. New opportunities for a wide variety of services should be offered; whether stations flourish or not will depend in the main on their own efforts, their own programming choices and judgements, and the support of the audiences they aim to serve. Subject to the safeguards outlined in Chapter 7, the Government welcomes the prospect of a rich variety of services capable of meeting a wide range of consumer tastes, including those of minority communities. Given the range of local circumstances throughout the UK, the Government sees no need to stipulate that all community stations must conform to a set size, degree of professionalism or commercial or

programming approach. They would be responsible for their own programming, financing and transmitting, rather than supplying services under contract to a public authority as ILR stations do now.

6.8 At the same time, those stations have a major and continuing part to play. ILR is popular with its audiences, and is keen to continue to have the chance to serve them but under a lighter system of regulation which will give stations more technical flexibility and more programming freedom.

6.10 There are sufficient local frequencies available or in prospect for both community radio stations and the present local stations to take their place side by side under such a lighter system of regulation. Indeed there are good arguments for ensuring that common regulatory arrangements apply so as to ensure fair competition for audiences and for revenue. One major advantage of this approach would be that independent radio, competing at the local level with the BBC, could be developed in parts of the country in which an ILR service of the kind now broadcast by the IBA would not be financially viable. In fact there need no longer be a formal distinction between the two kinds of radio, even though they might sound different, and to some extent compete at least some of the time for different audiences.

The same as for
6.10 The only programming controls which needed to be built in at the outset would be ~~those~~ for national commercial radio, as explained in Chapter 7.

6.11 There would of course be scope for a wide diversity of station size and service area. Some stations might have the same kind of areas as their BBC counterparts, and there is certainly no reason why ILR stations which have successfully built up a local following should shrink simply as a result of no longer having to discharge public service obligations. Others might aim to serve much smaller communities or provide a focus for the development of a sense of community in city areas. There is scope for programming and organisational links between larger and smaller stations, which might

find it possible to operate on their own account for only part of the day. Various arrangements would be possible and it is not sensible for the Government to try to determine in advance what the pattern and mix of services should be: obviously, a great deal will depend on local circumstances, local wishes and which groups come forward in different parts of the country with plans to provide services which will appeal and broaden consumer choice for the listeners. Chapter 7 outlines a possible approach to the development of a successful mix.

6.12 One possible limit, however, on which the Government would welcome views, would be that no station should cover an area larger than BBC local radio stations (ie approximately county-wide). This limit would apply only in England: as noted in Chapter 5 above, different considerations may apply to Scotland, Wales and Northern Ireland. The reasons for such a limit would be that larger areas would use up too much spectrum, and might damage the viability of truly local services. All the indications are that there is a genuine demand for the local dimension, and this has been one of the main strengths of ILR as we now have it.

6.13 The position of existing ILR stations within this new framework would of course need consideration. All have contracts for up to eight or ten years. Transitional arrangements would be needed in the legislation establishing the new system to protect so far as possible the interests of the existing contractors. But some might welcome the earliest opportunity of working within a lighter and cheaper regulatory system.

6.14 As to the frequency position of the new services, the clear presumption must be in favour of just one frequency for each local station. On the other hand, the more dynamic stations might well be able to provide enough distinctive programming to justify the use of more than one frequency, particularly if little use of the other could be expected in the area concerned.

Conclusion

Conclusion

6.15 It continues to be for the BBC, as a public service broadcaster, to decide to what extent to provide local services as part of its general obligations to those who fund it out of the television licence fee. The Government does not wish to impose a contrary view, and will continue to make the necessary frequencies available to the BBC for this purpose.

6.16 In addition, there is scope for a range of new community radio services, taking their place side by side with the existing local stations. How many stations there would be in each area and what they would sound like would depend on the overall frequency position, the number of groups or companies wanting to broadcast, how they propose to meet local tastes and interests and the financial support they could attract. A possible mechanism for the development of local services is considered in Chapter 7. New services will of course sharpen still further the competitive pressures on existing ILR stations. But they will have the freedom to adapt to new circumstances, building on their success and proven popularity. Under a light regulatory regime ~~the~~ opportunities would be there, and at less cost.

more

CHAPTER 7: REGULATION, FUNDING AND FREQUENCY ALLOCATION

7.1 How would independent radio, at both national and local level, be organised and supervised under the system envisaged in previous Chapters? Who would decide which services should be set up in which areas, and on which frequencies? How would they be funded? The Government's provisional views can be summarised as follows.

7.2 A single authority (one possibility might be to enhance the role of the Cable Authority) should oversee all independent national and local radio services under the same light system of regulation. The system would need to embody certain basic restrictions on programme content, funding and ownership of services and technical standards to prevent interference. But in other respects stations would make their own transmission, programming and funding arrangements. The Government would make available to the authority the frequencies set aside for national commercial services and the range of frequencies available for local (including community) radio. The authority and the BBC would each become frequency planning organisations in their own right. It would be for the authority to determine the pattern of independent local radio services by providing the widest possible diversity of programme services and the greatest range of consumer choice.

An Authority for Independent Radio

7.3 A system for independent radio at national and local level needs to be administered both in terms of technical and programme standards. There also needs to be a procedure for selecting stations and assigning frequencies to them. One possibility would of course be to look to the IBA, subject to appropriate amending legislation, to undertake this role. It has developed a large network of ILR stations in 13 years, and has considerable experience of balancing the competing considerations of regulation in a creative field. But, despite the real achievements which stand to its credit, there would be some awkwardness in combining the IBA's responsibilities as a broadcasting authority for television within a public service framework with a separate role as a regulatory authority for radio

This would
be a
major
~~infrastructure~~
~~in the~~
mobile
to want
deregulation
combined
to the
present
system
where there
are ~~arrangements~~
are made
transmission
organised
by the
IBA.

under different and lighter rules. The expansion of local radio is also likely to throw up a lot of new work at a time when the IBA will have particularly heavy television commitments. This suggests, though there are arguments the other way, that the functions might be better exercised by an authority distinct from the IBA. There is also a view, shared by some within the radio industry for example, that an authority which can devote all its attention to radio - as the IBA manifestly cannot - would best serve the interests of the medium. On this argument a new authority should be created. Another possible option, however, might be to expand the role of the Cable Authority, which has experience of the sort of regulatory regime which would be appropriate to independent national and local radio.

7.4 The Government will of course consult further with all concerned before putting its proposals to Parliament. For convenience the term 'the radio authority' is used in the rest of this Green Paper.

7.5 In any event, the authority's responsibilities would not extend to BBC radio: the BBC would remain a broadcasting authority in its own right, and could not sensibly be expected both to answer to a parallel authority and at the same time be responsible for carrying out the obligations placed on it by its Charter.

7.6 New legislation would permit the radio authority to issue licences to stations for a renewable period of a maximum of eight years. There would be no contractual relationship between the stations and the authority.

Programme Content

7.7 Although this Green Paper envisages that independent national and local services will not be required to meet all the requirements currently applying to public service broadcasting, they cannot just be left to broadcast what they like, subject only to the general criminal and civil law. There are not enough frequencies free to enable all controls to be discarded, and account has to be

taken of the nature of the medium. In the 1984 Act governing new cable services, Parliament accepted that certain minimum standards were necessary, defining material which stations ought not to broadcast. Under new legislation governing independent radio these standards should be reflected in licence conditions, enforced by the radio authority. The Government believes that stations should be required:

(i) to ensure that any news given in whatever form in programmes is presented with accuracy and impartiality;

(ii) to exclude from the programmes all expressions of the views and opinions of the persons providing the service on religious matters or on matters which are of political or industrial controversy or relate to current public policy;

(iii) to avoid allowing the views and opinions of particular persons or bodies on such matters to predominate;

(iv) to ensure that nothing is included in programmes which offends against good taste or decency or is likely to encourage or incite to crime or to lead to disorder or to be offensive to public feeling; and

(v) to deliver the kind of services which they had promised when applying to use the frequency.

7.8 These standards should be sufficient to prevent abuse without restricting stations' freedom to make their own programming decisions. Something on the lines of condition (v) seems to be needed to ensure that stations are not assigned a frequency under a false flag, though the authority will need to take a sympathetic view of genuine developments in programming. A successful radio service must be regarded as something organic. It is the product of ideas and imagination, and not a mechanical formula.

7.9 New legislation should also contain a reserve provision enabling the Government to direct the radio authority to ensure that licensed stations carried public service announcements. (There is an analogous provision in section 29 of the Broadcasting Act 1981.)

Ownership

7.10 The Government believes that the authority should not license stations owned or financed in whole or in part by political parties or public authorities, or by a body whose objects are wholly or mainly of a political nature, or which is affiliated to such bodies. The authority would also have a duty to secure that no licence was given to a voluntary or other organisation which, by reason of its funding or otherwise, appeared to be subject to the control or undue influence of a public authority, a political party or a body whose objects are mainly of a political nature. The purpose of the proposals outlined in Chapters 4-6 is to provide opportunities for new services and to provide new outlets for expression and communication - not to create political platforms for particular groups or lobbies.

7.11 The authority would have a duty - similar to that applying already in the case of cable and independent broadcasts - to prevent ownership or control by non-EC individuals or companies.

7.12 As outlined in earlier paragraphs, some IIR stations have been taken over by or merged with IIR stations in other parts of the country. The Broadcasting Act 1981 contains a number of provisions designed to give the IBA power to prevent concentration of ownership or editorial control of broadcasting and related media, and in particular to prevent the accumulation of newspaper shareholdings in IIR where these produce results contrary to the public interest.

7.13 It might be thought that the above controls are no longer needed at the local level. But their total removal might produce results which are not consistent with fair competition for audiences and the concept of maximum diversity of consumer choice. One solution on which the Government would welcome views is that the

authority should have no power to prevent changes in ownership (except where they would conflict with paragraphs 7.7 and 7.10 above), but a reserve power enabling it to withdraw and re-advertise a licence where a failure to maintain the promised performance resulted in a reduction in consumer choice in the area concerned. Such a decision would of course be justiciable.

Funding

7.14 As regards the financing of BBC services, the Government does not see advertising as a solution, given the possible consequences for new national and local services which will depend on this source of income. There remains an important longer term question about the way in which BBC national and local services are to be financed if the television licence fee is replaced by a system of subscription for television programming, as envisaged by the Peacock Committee: a possibility we find in principle attractive. We do not, however, believe that this inevitable uncertainty need or should inhibit the developments outlined in this Green Paper.

7.15 Within the independent radio sector, at both national and local level, each licensed station would arrange its own funding (subject to what is said in paragraph 7.10 above). Advertising or voluntary subscriptions or donations would be obvious sources of income. The radio authority would be required to draw up a code regulating advertising on the same general lines as that now operated by the IBA. The Government also believe that there should be a ban on political advertising, on the lines of paragraph 9 of the IBA Code and section 12(2) of the Cable and Broadcasting Act 1984.

7.16 Sponsorship is another potential source of funding. It is prohibited at present on IIR subject to certain exceptions. These exceptions permit co-funding of certain types of programme. This has been an increasing source of revenue for IIR. It might be crucial to the survival of new local stations.

7.17 The traditional concerns about sponsorship of broadcasting have been twofold. First, it was felt that sponsorship would weaken

the separation between editorial and advertising matters. Second, there was a belief that the particular interests of sponsors might come to distort the editorial independence of programme planners. The existing restrictions apply, however, in the context of public service broadcasting. If some stations are in future to be free to broadcast on a different basis, and not required to broadcast news and other information, the case for control of sponsorship is weakened. Where stations choose to provide a news service, it will be a condition of their licence that they present it impartially, and they will be answerable to the radio authority for any breaches. Moreover, listeners would continue to have access, on the proposals outlined above, to a chain of national and local stations providing public service broadcasting. The Government would welcome views on the case for loosening the prohibition.

Enforcement

7.18 The above rules could be enforced in much the same way as with IIR now. The new radio authority might undertake very selective monitoring of output. The main trigger for enforcement action would be listeners' complaints. The authority would include in its licence conditions requiring stations to keep tape recordings (with a view to investigation of alleged breaches of licence conditions on programme content) and to provide reports on complaints. It would also be possible to extend the role of the Broadcasting Complaints Commission to the independent national and local services, and to make the stations subject to the same statutory requirements as the existing broadcasters to comply with any directions issued by the Commission: but on balance the case for this does not seem strong, because the new regulatory authority will provide the necessary external oversight.

7.19 In order to enable the authority to exercise supervision in an effective and credible manner it will need to have available a range of sanctions. While ultimately it should be able, for serious or persistent abuse, to withdraw a licence, it will also need power to issue informal and formal warnings; to insist that transcriptions of its recorded output be submitted for a period on a routine basis;

and to suspend the licence or to shorten the period for which the licence runs.

Frequency Assignment

7.20 The Government would make available to the authority frequencies for new national commercial services. The authority would then assign these frequencies to the operators it selected to provide the services (setting such technical specifications as were needed to ensure that transmissions were not limited to the most profitable areas).

7.21 For local radio purposes, the Government sees advantage in the BBC and the new radio authority each becoming a frequency planning organisation. They would be allocated a series of frequencies within a particular sub-band or bands. They would be able to exchange or license spectrum to each other or to license third parties for non-broadcasting purposes provided they caused no interference to broadcasting. By giving each organisation the freedom to exploit its spectrum resources, it is likely that the spectrum would be used more efficiently and intensively. This could lead in due course to an increase in the services available to listeners. On this approach, the new radio authority could also be responsible for assignment of frequencies to, and the supervision of special event and other miscellaneous forms of radio now licensed by the Home Secretary.

7.22 The frequencies allocated to the new radio authority for the new independent local radio stations would come from:-

- (a) the spare frequencies now available (including those set aside for the expansion of the IIR network);
- (b) the gradual withdrawal (subject to existing contractual commitments) of simulcasting facilities where these could not be justified;

(c) additional VHF spectrum available between now and the mid-1990s: and

(d) possibly, the VHF spectrum set aside for use by national commercial radio in 1990, if it becomes clear either that the demand for additional national commercial services, or the problems associated with funding it by advertising, are such as to make it preferable for the frequencies to be used for local services.

7.23 The new radio authority would need to exercise judgement both in drawing up an incremental plan for the orderly geographical development of local radio, and in decisions on coverage areas consistent with frequency availability and the need to avoid interference. The authority would also need to decide on the general pattern of services in a particular locality or localities, taking account of the pattern of BBC services (which would not of course fall under its supervision) and of the existing independent local stations which have contracts with the IBA. A key criterion might be that the stations should meet local audience needs and broaden the diversity of consumer choice. Having identified these needs, it would be for the authority to invite applications to provide an appropriate service. The authority would then decide which stations should serve which areas and the size of those areas, and assign frequencies and set technical standards (see below). Any additional stations would need to show that their services would be such as to widen consumer choice and enhance diversity by providing a new and distinct range of programming. It does not make sense for the Government to try to set out in advance how many stations of what size there should be across the UK. But in due course, and developed gradually, there could be several hundred new stations of different sizes across the country, all of course subject to their ability to pay their own way.

Technical Standards

7.24 The Government does not see a need for the new radio authority to exercise controls over the type or performance of

broadcasting equipment, other than those necessary to prevent interference to other users of the radio spectrum. Stations may be tempted to increase the power output of their transmitters to get larger audience coverage. This would involve a risk of interference to other so the authority controlling them would need to ensure stricter compliance with technical criteria. The authority would therefore have to specify in the licences it issues the permitted power levels, band widths etc. It would be for the stations themselves to choose and use equipment in accordance with the licence conditions. There is a risk that this approach might lead to general reduction in the technical quality of radio broadcasting or its geographical coverage. But the risk seems slight. A station broadcasting to an inadequate standard would soon find its shortcomings reflected in the size of its audience. Stations would also need to take care that they did not contravene their licences, by causing interference to other users as a result of poor engineering.

7.25 On both technical and frequency matters, the radio authority would have available to it technical advice from the Radiocommunications Division of the Department of Trade and Industry.

Procedure for Selecting Licensees etc

7.26 There remain a number of important questions including the advertising of licences the transitional arrangements for existing ILR stations (see paragraph 6.15 above), selection of licensees, setting of licence fees and policing of licence conditions. Broadly speaking, and bearing in mind the lessons of the proposed community radio experiment, the Government believes that decisions on the pattern of local and community services should be informed by the views of those in the areas concerned. In city areas competition for the frequencies available may be stiff [and while stations must be self-supporting it does not accept the view of the Peacock Committee that licences should be auctioned]. For national services, the possibilities include awarding licences on the basis of competitive tender.

7.27 In accordance with Government policy on licensing generally, the various costs incurred by the authority, including those in connection with enforcement of licence conditions, will need to be recovered through licence fees. The fees must also meet the cost of any work undertaken for the authority by the Radiocommunications Division of the Department of Trade and Industry, together with the authority's share of the costs of the Government's domestic and international radio regulatory activities on sound broadcasting. It should be possible for the authority to apply a differential scale of fees, based on the size and profitability of the licence areas. But the formula adopted should not provide for disproportionate contributions by the more successful stations - a feature of the present ILR system, which reflects the IBA's statutory duty to provide as wide a service as resources permit. The radio authority would have no such duty.

Conclusion

7.28 The Government believe that it would be right to establish a new radio authority which would be responsible for the regulation of all national commercial, independent local and miscellaneous radio services. The regulatory machinery will be self-financing, with no financial support by the tax payer for any stations. One option would be to enhance the role of the Cable Authority, which already has experience of the regulatory regime envisaged for the new or modified services. The Government has in mind a range of essential statutory requirements relating to programme content, ownership and funding of services. It would be for the new radio authority to supervise the services within this statutory framework, and it would have available a range of sanctions, including withdrawal of licences. The new authority and the BBC would each become a frequency planning organisation for local radio services, and would be allocated blocks of spectrum for this purpose. The Government would, however, make available frequencies for national commercial services. It would be for the new radio authority to oversee the development of independent local radio services.

CHAPTER 8: CONCLUSIONS AND OPTIONS FOR CHANGE

8.1 There is great scope for change in the pattern and regulation of radio services. These are some relevant factors:

- the availability of additional spectrum for terrestrial broadcasting between 1990 and 1995; ^{will be available} and the opportunity for new radio services delivered by satellite systems. ^{There will be} Decisions need to be taken now on how additional spectrum might be used. At the same time the growth in VHF reception and technological improvements call into question the practice of simulcasting, under which the spectrum is not used as intensively as is feasible:
- increasing competitive and other pressures on the stations now within the independent local radio system (ILR). There is a genuine concern about the existing financial basis of the industry. Unless changes are made in the regulatory framework for ILR, the quality and local character of the service may be increasingly at risk;
- the opportunity to develop community radio. The number and quality of the applications for the planned experimental licences suggests a strong potential for services which appeal to very local or specialised interests and, in particular, which meet the needs of ethnic minority communities. The impact of some 'pirate' radio stations suggests that the demand is there; and
- the strong case for giving the BBC competition as a provider of national radio services. A majority of the Peacock Committee recommended that Radios 1 and 2 should be privatised; and the Committee's proposals for the development of a free market in broadcasting raise the question of the future funding of BBC radio.

8.2 Simply to add on new services to the present structure, or to modify it, will not do enough to take full advantage of the

opportunities. The system needs fundamental reshaping.. New national services, or the re-structuring of existing services so that some were funded by advertising or other means, would be likely to have a significant ^{damage} impact on the viability of ILR as presently ^{now} constituted. If new local radio services were subject to the same ^{quasi-} system of regulation as now governs ILR, neither would be likely to flourish. They would compete with each other and the BBC for audience and revenue while being required to provide the same kind of public service broadcasting. This would provide competition of a sort but would not broaden consumer choice very far. If new services were developed nationwide on a different basis while ILR was expected to continue as now the result would be unfair competition and a confusing duplication of regulation.

8.3 At the national level, radio broadcasting is provided exclusively by the BBC. The Government believes that there continues to be a case for services of national quality, wide range and assured geographical coverage in accordance with the traditions of public service broadcasting. The BBC should continue to be free to provide this. The Government would however like to see competition provided at national level as well as at local level. One way of achieving this would be to proceed with the majority recommendation of the Peacock Committee that BBC Radios 1 and 2 should be privatised. It is not however easy to define what might be privatised. The frequencies do not belong to the BBC, which would not benefit financially from their removal. The services are not free-standing broadcasting stations but embody the use of particular frequencies by the BBC to carry out its obligations to provide a wide range of entertainment and other services.

8.4 The Government believes that the better course would be to provide for new commercial services to compete with the BBC. The addition of such services would enhance consumer choice whereas changes to the ownership of Radios 1 and 2 (with what that might entail for the BBC's other national services) would not. This could be achieved by the reassignment of two national frequencies from the BBC, so providing scope for two (and after 1990 three) independent

national radio services. The new services need not be required to fulfil all the obligations of public service broadcasting in terms of education, information and entertainment. There would be scope for further commercial services in the future through the reassignment of further duplicated BBC frequencies, but whether there is enough money to support all such developments remains to be seen. There would nevertheless be a clear intention to phase out simulcasting with a view to making more effective use of the frequencies, though this will need to be done gradually in view of the change in listeners' habits that will be involved.

8.5 The BBC should retain the frequencies necessary for it to carry out its public service obligations. There is a longer-term question about the way in which these services are to be financed if the television licence fee, which pays for them at present, is replaced by a system of subscription for television programming, as envisaged by the Peacock Committee. In the shorter term the Government does not see advertising as a satisfactory solution, particularly given the possible consequences for local and new national services which will depend on this source of income.

8.6 At the local level, there should be a much lighter form of regulation of radio than exists now, and a clear decision to broaden the range and kind of services which can now be heard. This would bring the UK into line with ^{other countries} international developments. The main questions centre on:

- the case for community radio;
- the need for local stations to be required to meet the full extent of public service broadcasting requirements; and
- the nature and extent of the regulatory framework required.

8.7 Frequencies will be available for a new tier of community services, and the interest and demand for such services is evident. The Government welcomes the prospect of a rich variety of services

which will be capable of meeting a wide range of consumer tastes, including those of ethnic minorities. It would be unrealistic to expect such stations to fulfil the full range of public service broadcasting obligations, and it is doubtful whether the provision of parallel local public service broadcasting stations by the BBC and IIR is a sensible use of resources.

8.8 BBC local radio has a distinct approach which its audience values, and has links with the national services. In the Government's view there continues to be a case for these stations to provide full local coverage of public service broadcasting while major new developments in independent radio take place in parallel.

But the BBC will have to judge local radio alongside the other classes in its hours
(the time given to commitments)

8.9 The Government believes that all independent national and local services should be more lightly regulated than at present. A new radio authority should be established to supervise the services within the statutory framework; one option might be to enlarge the functions of the Cable Authority, which has experience of the regulatory regime which might be appropriate to local and community radio. Both the new authority and the BBC would become frequency planning organisations for local radio, and would have blocks of spectrum allocated to them for this purpose. The new authority would be responsible for drawing up an incremental plan for the development of local radio, taking account of local needs and circumstances. There would need to be transitional arrangements for existing IIR services.

Summary of Government's Preliminary Views on Options for Change

8.10 The Government would welcome advice and comments on the options for legislation. Its preliminary views can be summarised as follows.

8.11 At the national level:-

- (i) there is a continuing need for public service broadcasting at national level, and the BBC should continue to provide programmes of high quality, comprising information, education and entertainment and of wide range and diversity;

(ii) it should remain for the BBC, not the Government, to decide how these public service broadcasting obligations should be met, subject to the availability of resources and frequency spectrum assigned the BBC;

(iii) it does not follow that the BBC should continue to enjoy indefinitely the spectrum ^{which} it ^{now} currently has; given the present degree of simulcasting, this may not be the best use to be made of it;

(iv) there should be additional national radio services provided on commercial lines to introduce diversity and the stimulus of competition;

(v) additional frequencies for this can be found by withdrawing two from the BBC;

(vi) these services should not be required either singly or in combination to comprise education, information and entertainment;

(vii) new national commercial services do not need to be provided or transmitted by a broadcasting authority. While those mounting the service should be free to make their own arrangements for transmission, there should be specifications as to coverage.

8.12 At the local level:

(i) the BBC should retain discretion, within the overall resources provided for it, to complete its chain of local stations and to continue to provide public service broadcasting at the local level;

(ii) there is scope for community radio services, operating under the same light regulatory regime as new national services; and

(iii) The existing local independent stations should also be more lightly regulated in the same way and under the same terms.

ANNEX: SPECTRUM OPTIONS

A. SPECTRUM BECOMING AVAILABLE FROM 1987 ONWARDS IN VHF AND BAND II

87.5-88 MHz (1987)

1. The sub-band from 87.5 to 88 MHz will be affected by mobile radio transmitters on the frequencies immediately below. Unless some degradation to the normal reception standards is accepted, the sub-band may be of limited use for local radio. It would be most suitable for some low power services on the scale of neighbourhood radio.

97.7-102 MHz (1990)

2. In his statement of 23 October 1985 the Home Secretary announced that the sub-band from 97.7 to 99.8 MHz had been assigned to the BBC to provide Radio 1 on VHF, while 99.9 to 102 MHz would remain available for an independent national radio service. Each of these planned national networks could in theory be replaced by a number of stand alone local stations. On certain very broad assumptions (based upon a statistical analysis of the Geneva 1984 Plan) it has been estimated that each planned national network might accommodate around 200 local stations with various coverage areas, not all of which could be expected to be of use given the locations of some of the planned transmitters.

105-108 MHz (mid-1990s)

3. The top of band II from 105 to 108 MHz was originally considered suitable for improving the coverage of the national and local VHF/FM networks. However the need to minimise interference to the aeronautical radio-navigation services in the frequency band immediately above makes it more suitable for local low power use. On certain broad assumptions, it might be possible to fit in over 400 stations with a service area radius 5 km, not all of which would be in useful locations. The aeronautical radio navigation services will continue for 15 to 20 years, but they are expected eventually to be replaced by systems using other frequencies leaving 108 to 112 MHz available for other uses. No decisions on future use have been taken

but the restrictions currently imposed on the use of the band 105-108 MHz may be eased.

B. SPECTRUM NOW IN USE

4. If simulcasting ended, the options for the BBC national networks released would be their direct replacement by new national services or breaking the networks down into local services. The use to which the frequencies were to be put would influence the choice of BBC networks to be reassigned. Further study would be required before the choice was made. The factors to be borne in mind include:

(a) most transmitters within each of the 3 MF networks are effectively synchronised, ie since the programme content is the same they can work with less mutual protection than would be the case if each transmitter was used for different programmes;

(b) the LF/MF networks are very long established and are accommodated in other countries' plans. Negotiating substantial changes could be particularly difficult;

(c) reception of the 3 MF networks after dark is considerably reduced, as to a lesser extent, is that of the LF network;

(d) the LF network used for Radio 4 uses only one frequency;

(e) the LF network is receivable in much of Europe;

(f) the LF/MF and to an even greater extent the VHF/FM national network transmitters are used to 'feed' local and national regional services on an 'opt-in - opt-out' basis. An evaluation of the extent of the replacement 'feed' systems would be necessary;

(g) the VHF transmitters are generally now well sited to provide useful local services. If they had to be moved far this could require international agreement, which cannot be guaranteed.

(a) LF/MF

5. Detailed analysis would be required to establish the number of useful local services which might replace each of the BBC's national LF/MF networks. Assuming an average service area radius of 25 km (the average for ILR stations) and on various broad technical assumptions (based upon a theoretical lattice and the planning criteria agreed at the Geneva conference in 1975) it might be possible to replace Radio 1 with a theoretical maximum of 30 ILR size stations, Radio 2 with 26 stations, Radio 3 with 19 stations, and Radio 4 with 15 stations. It must however be emphasised that many of the transmitters would not be in promising locations for commercially viable services.

6. There are already 50 ILR services in the MF band and there is frequency capacity for a further 46 stations. On certain broad assumptions (again based upon a theoretical lattice and the planning criteria agreed at the Geneva conference in 1975) the fully planned ILR MF network could be replaced by some 200 transmitters with a service area radius of 10 km or some 300 with a radius of 5 km.

7. There is also frequency capacity in the MF band for an additional 54 BBC transmitters.

8. If no further BBC or IBA transmitter expansion took place then 100 frequencies would be available now for alternative use.

(b) VHF/FM

9. The sub-band from 102.1 to 103.5 MHz and 103.6 to 105 MHz have been planned for independent local radio and BBC local radio respectively. It would in theory be possible to replace the stations envisaged with numbers of low power stations. If their service area radius were of the order of 10 km, it might be possible to accommodate some 125 such stations in the ILR bank. With a service area radius of 5 km, it might be possible to fit in some 225 stations.

(c) Accommodating low power stations in spectrum dedicated to higher power services

10. The identification of frequencies for the community radio and special event radio experiments showed that it is extremely difficult, but not impossible, to accommodate low power stations in spectrum already dedicated to high power services. It is also the case that the higher the number of low power stations that are tightly packed together, the fewer opportunities will remain to accommodate even lower power services such as special event radio.

