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PRIME MINISTER

GREEN PAPER ON RADIO POLICY

Last year, with the approval of my colleagues, my predecessor undertook to publish a Green Paper on community radio and the implications for our existing radio services. Following our decision not to proceed with the community radio experiment, because of the difficulty of regulating this new form of radio under existing legislation, I made it clear that the Green Paper would need to look at radio in the round. This will also provide an opportunity for the Government to set out its views on the recommendations of the Peacock Committee on BBC and IBA radio services.

2. I have said that we aim to publish the Green Paper in the autumn of this year. Particularly in view of the disappointment at the cancellation of the experiment, I hope we can regard this as a firm commitment. We have agreed to consider the Peacock recommendations step by step and you have set up MISC 128 to ensure this. I hope we can regard our Green Paper on radio as one of the first steps.

3. Officials under my direction have prepared the first draft of the Green Paper. I attach an outline, in the form of a summary chapter. The approach is radical. It contemplates the break up of the BBC monopoly of national radio services, the introduction of new commercial national radio services and a comprehensive restructuring of the framework for local services, including the admission of a new tier of community or special interest stations. It argues for a progressive bringing to an end of the arrangements whereby the same programmes are broadcast on different frequencies (known as simulcasting) which is



wasteful of the spectrum and inhibits the development of new services. It therefore offers the prospect of increased competition and diversity of consumer choice across the full range of services. In relation to the BBC, the approach assumes continuation for the time being of the television licence fee as a source of funding for BBC radio, while acknowledging a longer term need to consider the financing of these services and the maintenance of their position alongside television broadcasting within the Corporation. There is nevertheless scope for specific and earlier changes affecting the monopoly position of BBC radio than are possible in relation to television.

4. There are three specific issues to which I should draw attention. The first is the future of the BBC national services. The Peacock Committee recommended, by a majority, that BBC Radios 1 and 2 should be privatised. There is no evidence in the Report that the Committee considered what that might mean in practice. The frequencies used by these services belong to the Government, not the BBC. Radios 1 and 2 have few saleable assets and ending the services would save only 5% of total BBC expenditure. Moreover, I would regard it as inconsistent with the principle that the BBC should be free of Government interference in the content of programmes if we attempted to compel them to maintain Radios 3 and 4 in their present form, as envisaged by the Peacock Committee, but forbid them to broadcast programmes similar to those on Radios 1 and 2. The BBC has already expressed the view that it would be failing in its duty to the large section of the population with whom Radios 1 and 2 are popular, and who fund the BBC radio services out of the television licence fee, were it not to provide services comparable to Radios 1 and 2 on the frequencies remaining to it. In short, this recommendation was not thought through, and my attempts to get the members of the Committee to elucidate were not successful.

5. My alternative and more practical proposal, reflected in the attached summary, is that we should use our powers to withdraw from the BBC two of their present national frequencies (1 MF and 1 VHF) and reassign them to provide commercial competition to the BBC at the national level. This would provide the opportunity for two new independent national radio



services funded by advertising and, if commercial considerations suggested this would be profitable, a third service when a new VHF national network becomes available in 1990. It would remain for the BBC to determine how best to carry out, on its remaining frequencies, its obligations to provide public service broadcasting. The BBC would then have five (six after 1990) national networks for its four national channels and would in one way or another have to reduce the volume of simulcast output.

6. This approach would widen consumer choice (while closing Radios 1 and 2 would narrow it) and would provide a stimulus of competition to the BBC without provoking a constitutional argument with them on grounds which, as I have indicated, I regard as far from strong. Some, though not all, the ILR stations are apprehensive about the effects of an independent national radio, but they will to a large extent be compensated by the deregulation proposed below.

7. It is of course illogical to have BBC radio services funded by a television licence fee, and, as made clear in the attached summary, we shall eventually need to consider the funding of these services if and when that fee can be replaced by a system of subscription. I have therefore given careful consideration to whether we might at this stage seek to impose on the BBC a requirement to take advertising on Radios 1 and 2. This would be one means of financing BBC radio services in general, and would also clear the ground for consideration in the longer term of the possibility of separating the Corporation's sound broadcasting and television roles. Compelling the BBC to take advertising would, however, raise awkward constitutional issues. It would require legislation, and would raise the same difficulties of Government intervention in the nature of the services provided by the BBC as I have outlined above. My conclusion is that it would not be sensible to commit us to this proposition in the Green Paper, particularly when we can achieve a significant measure of restructuring by other means.

The second issue concerns the regulation of local and new services at both national and community level. Earlier this year colleagues had doubts about the proposed editorial point of view,

*experimental community radio stations being allowed to develop*



and about the risk which would flow from this of biased coverage of local and other issues. Bearing in mind the pressing need for a measure of deregulation of the existing independent local radio stations, I believe that it would be sensible to bring all independent radio services (including the proposed new national services) under the same system of regulation. Stations would not be subject to the positive programming requirements of public service broadcasting, but would be subject to the same kinds of controls on the presentation of news and controversial matters as now apply to cable operators. Radio would thus for the first time be subject to the 1959 Obscene Publications Act. It would otherwise be for the stations themselves to decide what to broadcast, subject to their delivering broadly the kind of service which they promised on being assigned a frequency, and to be responsible for their own transmissions. This approach would meet the need for deregulation of existing independent local radio, without which some stations are unlikely to survive, though it falls short of the fullest expectation of the enthusiasts for community radio. Public service broadcasting at the local level would continue to be provided by the BBC.

9. Finally, I have concluded that all independent radio services should be supervised by a single radio authority. At the local level, the authority would draw up an incremental plan for the geographical development of services, taking account of local needs. The authority would be allocated a range of frequencies which it (and not the Secretary of State) would assign to particular local services. This is a new development in radio and a new range of functions which points away from enlarging the role of the IBA. The IBA are keen to retain their grip, but their work in radio has not been popular in the industry and it would be expecting a lot for the Authority to be able to switch now to a much lighter touch for radio while retaining their tighter supervision of television. There are attractions in creating a new authority for this purpose, but this would run counter to our wish to limit the number of quangoes and I have therefore come to the view that it would probably be sensible to enlarge the functions of the Cable Authority to encompass radio. The Cable Authority already has



experience of the light regulatory regime would be right for independent services.

10. I see real political attractions in the approach which I have outlined. We shall be seen to be tackling the BBC's monopoly of national radio services, and serving notice of the longer term need to consider the funding of BBC radio services in the light of developments on the television licence fee. We shall be introducing competition at all levels of radio services, and increasing substantially the diversity of consumer choice. We shall be meeting the wishes of those who have pressed for deregulation of independent local radio services, and of those who have sought the introduction of community radio. We shall at the same time be preserving public service broadcasting, offering high quality programmes for information, education and entertainment, at national and local level. The BBC and IBA will both mourn the loss of a fraction of their empires, but most others will be pleased and radio will get a shot in the arm.

11. I hope you and colleagues on MISC 128 will endorse the approach set out in the attached summary. If so, my officials will clear the text of the Green Paper with their counterparts in the Department of Trade & Industry and other Departments with an interest, and I will circulate a final draft as quickly as practicable. We shall, of course, reserve our final position until we see reactions to the Green Paper.

12. A copy of this minute and its enclosure goes to the other members of MISC 128, and to Sir Robert Armstrong.

*Douglas Hurd.*

14 October 1986



## SUMMARY

1. Several factors point to the need for change in the pattern and regulation of radio services. Some arise from within the broadcasting system, others from outside it. The main pressures for change are:

- the availability of additional spectrum for terrestrial broadcasting between 1990 and 1995, and the opportunity for new radio services delivered by satellite systems. 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 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 continuing campaign for 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.
- questioning of the role of the BBC as the sole provider of national radio services and of their financing. 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.

2. Simply to bolt-on new services to the present legislative chassis will not do. 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 impact on



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the viability of ILR as presently constituted. If new local radio services were subject to the same system of regulation as now governs ILR, neither would be likely to flourish. They would compete with each other and the BBC for audiences and revenue while providing 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.

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. All experience points to the conclusion that to meet these expectations requires the resources of a large organisation. 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.

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 (in the first place) one MF and one VHF network away 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.



It may be sufficient to apply a "consumer protection" regime requiring the impartial presentation of news and the observance of standards of taste, decency etc. There would be scope for further commercial services in the future through the reassignment of further duplicated BBC frequencies. There would therefore be a clear intention to phase out simulcasting, though this will need to be done gradually in view of the change in public expectations that will be needed.

5. The BBC would retain the frequencies necessary for it to provide the range of services it needs to carry out its public service obligations. There is a question about the way in which these services are to be financed when the television licence fee, which pays for them at present, can be 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 necessary solution, particularly given possible the/consequences for local and new national services which will depend on this source of income.

6. The Government would welcome views on the options for the legislation that would be needed. Its preliminary view is that at national level:

- the BBC should continue to provide a wide-ranging national radio service, on public service lines.
- there is a good case for additional national radio services provided on a commercial basis to introduce diversity and a stimulus of competition.
- additional frequencies can be found for this by withdrawing two from the BBC.
- national commercial radio would be subject to a degree of regulation on broadly consumer protection grounds. Beyond that, the content and nature of the services should largely be determined by commercial judgement.
- the operators of the new national service or services should themselves broadcast, subject to regulation, and provide their own transmission facilities.



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7. At the local level, the case for a new and more lightly regulated system of radio seems strong, and would bring the UK into line with international developments.

The main questions centre on:

- the case for community radio;
- the need for public service broadcasting at the local level; and
- the nature and extent of the regulatory framework required.

8. 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 ILR is a sensible use of resources.

9. What form of regulation might then apply to ILR and community or special interest radio stations? The Government believes that it would be sensible to aim for a framework broadly comparable to that for independent national radio. Stations would be required to ensure that undue prominence was not given to the views of unrepresentative groups within the community; would be responsible for their own transmissions; technical standards would be prescribed only to prevent interference; and stations would be required to deliver broadly the kind of service which they had promised when applying to use a frequency. The services would have frequencies assigned to them and be regulated by a single radio authority. The authority would be responsible for drawing up an incremental plan for the development of local services on this model, taking account of local demand and other circumstances. It would also regulate independent national radio. Because the IBA would be responsible for ITV under a different regulatory framework, the framework for radio might be better administered by a new Radio Authority. One option might be to enlarge the functions of the Cable Authority, which has experience of the light regulatory touch which might be appropriate to local and community radio.



10. It would be possible for BBC local radio to be floated off from the Corporation and to take an independent place in this new pattern. But BBC local radio has a distinct approach which its audience values, and has organic links with the national services. In the Government's view there continues to be a good case for these stations to provide full local coverage of public service broadcasting while major new developments in independent radio take place in parallel. Again this will preserve and enhance consumer choice.

11. The Government would welcome views on the options for legislation on local radio. The Government's preliminary view is that:

- there is a continuing need for public service broadcasting, which the BBC can provide.
- other services should be subject to a new and lighter form of regulation similar to that for independent national services and supervised by a new Radio Authority (one possibility might be to enlarge the functions of the Cable Authority).
- no hard and fast plans can be drawn up showing how many local services there should be and what they should broadcast; this should be a matter for the Radio Authority, operating within the broad criteria of enhancing the range of programming and the diversity of consumer choice.
- as spectrum becomes available there should be room both for ILR and new stations, operating within a greatly deregulated environment, in which stations can appeal to particular local or specialist audiences and can look to a wide range of sources of income.

12. There is a need to provide the conditions in which radio can command the resources and supply the range of services which its potential as a medium justifies. The Government would welcome advice and comment on the framework for the development of radio as set out in this Green Paper.



