OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Thursday 16 May 2019

The Scottish Parliament
Pàrlamaid na h-Alba

Session 5

Thursday 16 May 2019

CONTENTS

Col.

CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
15th Meeting 2019, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

Claire Baker (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

*Annabelle Ewing (Cowdenbeath) (SNP)
*Kenneth Gibson (Cunninghame North) (SNP)
*Jamie Greene (West Scotland) (Con)
*Ross Greer (West Scotland) (Green)
*Stuart McMillan (Greenock and Inverclyde) (SNP)
*Tavish Scott (Shetland Islands) (LD)
*Alexander Stewart (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

George Adam (Paisley) (SNP)
Graham Bryce (Bauer Media)
Tony Close (Ofcom)
Peter Davies (Bauer Media)
Adam Findlay (D C Thomson Media)
Neil Findlay (Lothian) (Lab) (Committee Substitute)
Glenn Preston (Ofcom)
Neil Stock (Ofcom)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 16 May 2019

[The Convener opened the meeting at 09:04]

Decision on Taking Business in Private

The Convener (Joan McAlpine): Good morning, and welcome to the 15th meeting in 2019 of the Culture, Tourism, Europe and External Affairs Committee. I remind members and the public that they should turn off their mobile phones, and any members who are using electronic devices to access committee papers should ensure that they are turned to silent.

Agenda item 1 is a decision on taking business in private. Does the committee agree to take in private item 4 on today's agenda and any consideration of draft annual reports at future meetings?

Members *indicated agreement.*

Local Commercial Radio

09:04

The Convener: Agenda item 2 is evidence from two panels on local commercial radio. I welcome our first panel, which comprises the following Ofcom representatives: Glenn Preston, the director for Scotland; Tony Close, the director for content standards, licensing and enforcement; and Neil Stock, the head of radio and broadcast licensing policy. Thank you for coming along and giving evidence. I understand that Glenn Preston has a brief opening statement to make.

Glenn Preston (Ofcom): That is right, convener. I will keep it very brief, because I know that you do not have lots of time this morning.

Thank you for the invitation to discuss local commercial radio, which I appreciate is a topic that has ignited a significant amount of interest in the Scottish Parliament and more widely since our decision last year to amend the relevant guidelines. I wrote to the committee earlier this week, ahead of this appearance, to provide some additional context to the March briefing note that we gave you ahead of the Global Radio evidence session. If it is okay, I will take this opportunity to highlight a couple of points that I made in that letter.

First, I put on record my apologies for the fact that we do not appear to have notified the committee of last June's consultation, which you wrote to me about. As you know, we work hard to ensure that a good range of Scottish Parliament committees are kept notified of all relevant Ofcom publications, of which there are several hundred each year. Frankly, it looks as though we have fallen short on this occasion, and I am very sorry about that. We are reflecting on what improvements can be made to our processes to avoid the possibility of that happening again.

Secondly, I emphasise that Ofcom's work in this area, which followed a detailed UK Government consultation and response in 2017, was evidence based and was carried out in accordance with our statutory remit and duties. I have seen it questioned publicly whether the issue falls within our remit, but we do not think that such suggestions are correct. Section 314 of the Communications Act 2003 requires Ofcom to

"carry out ... functions in relation to local"

commercial radio

"services in a manner that"

we, in Ofcom,

"consider is best calculated to secure ... such services".

As the committee will know, the most recent substantial revision of the localness guidelines was in 2010. Members will also be aware that the market has changed dramatically as a result of competition from music streaming services and other radio services such as internet radio, which are not regulated, and from services such as digital audio broadcasting and other digital broadcast platforms, which are regulated less than analogue services. We feel strongly that the flexibility that we have introduced responds to the pace of change in the radio sector and enables radio groups to put more resources into programme making and less into the bricks-and-mortar costs of maintaining separate local studios while simultaneously ensuring that listeners' expectations of high-quality local news and other content continue to be met.

Thank you for giving us the opportunity to attend this meeting. We look forward to discussing the issues further with you.

The Convener: Thank you very much. I note your comments about the letter and the consultation.

You mention the fact that there is considerable interest in the topic. I think that one of the reasons for that is that many people—certainly, those of my age—remember when commercial radio in Scotland was extremely local, with considerable resources going into local content. We can see that the situation has changed considerably, and now another change is being proposed that will make the content even less local. That will have an impact on Scotland's creative economy as well as on services to communities, which is why the committee is devoting a considerable amount of time to the subject.

Going back to your localness consultation of 2018, I note that you received 46 responses, all of which have been published in full on your website. The overwhelming majority of respondents were against your proposed changes: 35 of those 46 responses disagreed with them, with the respondents including MPs, businesses, members of the public, radio stations and even your own advisory committees. In contrast, the 11 respondents who agreed with your proposals included big players such as Global, Bauer Media and Radiocentre, which, I note, has since been purchased by Bauer. Why were the views of the majority completely ignored and disregarded?

Neil Stock (Ofcom): In reaching our final decisions on localness last October, we had to take into account a number of pieces of evidence, and the responses to the consultation formed one of those pieces of evidence. I should also point out that, when we look at such responses, we are looking not just at straight numbers but at what people are saying to us—the arguments that they are making, the weight and strength of those arguments and the extent to which they are based on evidence. For us, any consultation is never just a straight numbers game.

The responses to the consultation were inputted to our final decisions, but the research that we had done prior to our consultation was also important, not least because that was the main way in which we heard the voice of listeners. With the best will in the world, it is often the case that listeners do not respond to Ofcom consultations; it tends to be the industry and other stakeholders who do that. We took into account all the evidence that was before us, including the consultation responses and the research that we had done, and we tried to balance all those things in reaching our decision.

The Convener: Can you see why people would come to the conclusion that you placed more weight on the evidence from some of the big players, who had a vested interest in further deregulation?

Neil Stock: I am not sure that I necessarily agree with that. Commercial radio companies are the ones that are regulated to deliver these things, so their opinions are important to us, but they are not the only opinions that are important to us. That is why we did some research and consulted in order to seek other views. As I said, I think that we balanced all the views in reaching our decision.

The Convener: Were you given audience research that had been paid for by parties with a vested interest, such as Global or Bauer?

Neil Stock: No. We did our own research.

The Convener: You did your own research. You were not given any audience research by those companies.

Neil Stock: Correct.

The Convener: Okay. I am intrigued to know why there was such a rush in pushing the changes through. The Department for Culture, Media and Sport has suggested that legislation will be ready by 2021, but the industry is thriving. According to radio joint audience research, last year, commercial radio made its biggest ever profit of £713 million and Global made a pre-tax profit of £25 million. What is the rush for this?

Tony Close (Ofcom): I would not characterise it as a rush. You are right to say that the sector is doing very well, and we would like it to continue to do very well. We want it to continue to be able to provide a vibrant commercial radio model to listeners around the nations of the UK. It was clearly indicated to us that the regulations in the area would ultimately be removed by Parliament, and that was a catalyst for our thinking about whether the significant burdens around localness that have been placed on commercial radio are sustainable or advisable and should stay in place.

It was also clear to us, from the audience research that my colleagues have mentioned, that a different model of commercial radio could deliver for the interests of listeners—listeners who tune in primarily for music or listeners who, when they are looking for localness, are thinking about local content and not where the local content comes from. They are looking for news, traffic and travel reports and some local information. It seemed to us that it was the right time not to remove the obligations but to lessen the obligations on a commercial sector that needs to compete in an increasingly complex audio environment.

The Convener: It just seems strange. You say that you are looking ahead, but commercial radio is making a considerable amount of money and we have seen local content reduce over the years. People can remember when, for example, Radio Clyde had a Scottish playlist, which was obviously great for the creative economy and music in Scotland. I understand that the playlist is now set in Manchester, so there is uniformity. It is not just about news; it is about creative content and the decline of localness.

Glenn Preston: We have seen some interesting developments in the Scottish market, even in the past couple of years, that suggest that what you describe regarding localness is not quite the case. In the past few months we have seen D C Thomson—from which you will hear evidence later today—invest in commercial radio, with the purchase of Original 106 FM and Kingdom FM. At the heart of that is a commitment to maintain local, passionate teams that will deliver the type of quality radio that you are talking about.

We have other new entrants to the market in the west of Scotland, as I am sure you know, convener. An example is Nation Radio Scotland, which, I think, has some pretty positive figures coming out this morning as well, having taken over the licences in that area. Across Scotland, we licence just under 30 local commercial FM services. Community radio is also very popular, with 28 services broadcasting over FM at present and a further three applications for licences following our most recent invitation for applicants. The picture is actually quite positive.

09:15

The Convener: In your consultation, views were expressed by small companies such as Central FM, Waves Radio, Kingdom FM, Original 106, the Shetland Islands Broadcasting Company and Wave FM, for example, but you did not really seem to take on board what they told you.

Neil Stock: I cannot recall the specifics of what they said, but, as I say, our final decision was based on the totality of the responses that we got, balancing everything that everyone had said to us against the research that we did. I am afraid that I cannot remember what those specific stakeholders said, but our ultimate view was based on all the responses that we received.

The Convener: Are you aware that numerous Scottish radio operators that are not part of larger radio groups have expressed serious concerns about the effect of deregulation on local communities?

Neil Stock: Yes, of course.

The Convener: Jamie Greene has a supplementary question.

Jamie Greene (West Scotland) (Con): Good morning, gentlemen. I have some other questions, but I will ask those later, when it is my turn.

The Convener: Just go for it.

Jamie Greene: Okay. We are 17 minutes in, and I have heard a lot of words about consultation, taking a balanced view and looking at the issue holistically. I appreciate that you have gone through a process and come to conclusions, and I accept those conclusions. Mr Close started to touch on the reasons why we have ended up where we are, but I cannot see the top three reasons why the deregulation had to happen as it has. It might help the committee if you could sell it to us a little bit better.

Tony Close: I am happy to answer that question. I do not know that I can give you a top three, but I will give you my view on why it was the right thing to do.

Let us start with the fact that these are commercial businesses that have to operate in a competitive environment that has changed significantly in the past 10 years with the entrance of big digital audio players. They are not public service broadcasters. Their primary purpose is not to deliver public value in the way that a public service broadcaster should, and yet, for the past 10 years—and since before then—they have been subject to a considerable amount of public intervention through considerable requirements and significant cost burdens that I genuinely do not think were sustainable in the long term. I also do not think that the argument that they are the best way of delivering that amount of local content can be sustained.

It was not right for us to continue to have incredibly prescriptive localness requirements that told commercial businesses exactly what programmes they had to broadcast and at what time and how they had to provide them. That was inconsistent with the broader model of regulation. I am also conscious of the fact that localness is delivered in lots of different ways by lots of different operators. For me, the idea that the burden should continue to fall solely or primarily on commercial radio in the long term seems wrong.

Jamie Greene: What would the consequences have been of not making changes in the regulatory environment for the commercial radio sector?

Tony Close: It is difficult to say, but, in the long term, the extensive regulatory burden would have had an effect on stations' ability to compete—not necessarily against their immediate neighbours or rivals, but certainly against large streaming platforms.

Jamie Greene: I have one further small question, although I might pick up on questions that members ask later. I do not want to encroach on anyone else's area.

The changes will inevitably lead to a reduction in the volume of locally produced content. I do not mean just news, as content is about much more than on-the-hour news. Given that fact, how do you think Ofcom will seek to ensure that there is a balance and that people will still have access to broadcast services that provide genuine local radio? Could that be done by, for example, enhancing or assisting community radio?

Tony Close: I will start on that question and will then ask my colleagues whether they have anything to add. You have touched on community radio, but I will also add a note about small-scale DAB if you do not mind. It is important that we think about the totality.

You used the word "inevitably". Although it is highly likely that some services will consider reducing the amount of locally made content that they produce for their commercial radio stations, that does not mean that they all will. The witnesses from whom you will hear after us might think that there is an opportunity for them to increase the local focus of commercial radio services to counteract or balance the decisions that large commercial radio players might make. In addition, there is a great opportunity for us to explore ways of ensuring that there is a broader range of community radio services and that they have a simpler way of accessing audiences. That is one of the reasons that we have been so keen to press on with our small-scale DAB project with the Government. We are pleased with the opportunities that that will provide for smaller, less well-funded but ultra-local services to get to the audiences that they want to reach.

Glenn Preston: With regard to the future of small-scale DAB, as Tony Close mentioned, our "Media Nations 2018" report showed that the percentage of listeners in Scotland who have switched to DAB—46 per cent—is still slightly behind the UK figure of about 50 per cent. Although I have not seen this morning's radio joint audience research figures in detail, it looks as though, over the past 12 months, the Scottish figure has jumped 8 or 9 percentage points and is now much closer to the UK average. That suggests that there has been a shift in the use of those new technologies, which can offer greater choice.

Jamie Greene: That is all well and good, but, as many members will be aware, DAB is good when it is good and patchy when it is not good. In Edinburgh, we can barely pick up BBC Radio Scotland although it is probably broadcast from half a mile down the road. There are still issues with the technology—Scotland is a difficult place to broadcast to. In that respect, FM still is, and should be, the king.

I am glad that you picked up on community radio, which is facing the same challenges as small-scale radio has faced for a long time. It is no surprise that large commercial operators are consolidating their advertisement sales businesses and using regional or national advertising models, as opposed to localised models, whereas television has gone in the other direction and has localised its ads more. Community radio is entirely dependent on what funding it can get its hands on. If the ad market is sewn up by large multiregional operators or the digital market, there does not seem to be much money left to fund community radio. Is there a role for the Government to play in securing those local broadcasts?

Tony Close: I do not know whether there is a role for the Government to play. My experience of community radio has been that, by and large, it finds innovative and creative ways of finding funding not just through grant in aid or local donations but from a different set of advertisers from those that might advertise on local commercial radio.

Neil Stock will correct me if I am wrong or will perhaps add some details. We and the Government have already made changes that make it easier for community radio services to seek commercial funding as a greater proportion of the funding that they get, in order to help them to sustain themselves.

Neil Stock: Last year, we invited expressions of interest in small-scale DAB and received more than 700, including a large number from all areas of Scotland, both from people who want just to run radio stations and from people who want to operate the platforms on which those radio stations are broadcast. Once we can press ahead with it, I think that we will see a huge increase in the ability of local radio stations of all types—

community and commercial, ones that do not yet exist and ones that are currently on FM but want to be on DAB—to broadcast. If broadcasters want to do it and think that there is a model that enables them to do it, small-scale DAB is a tremendous opportunity to increase hugely the amount of local content.

On the subject of community radio funding, the DCMS has a community radio fund, and we are currently waiting for it to tell us whether it will continue the fund and put more money into it for another three years.

Alexander Stewart (Mid Scotland and Fife) (Con): You have given us some evidence this morning that indicates the feelings behind the scenes. Glenn Preston, in your letter, you write about "proportionate changes". When most of the industry believes that you are ripping the heart out of it, do you really believe that those are proportionate changes?

Glenn Preston: We believe that the changes are proportionate, and I do not think that we would recognise the assertion that most of the industry feels that we are doing what you describe. I might be repeating what Neil Stock has said, but, when we looked at the evidence in its totality, we thought that this was a reasonable and proportionate intervention, partly because of the significant market changes that are coming and what people will be competing against over the next few years.

The Convener: We are joined by George Adam MSP. George, do you have any relevant interests to declare?

George Adam (Paisley) (SNP): Not apart from the fact that I enjoy commercial radio.

I want to ask a question about DAB. Is DAB quickly becoming the Betamax of radio? Basically, technology is passing it by, and new ways of listening to radio are available. Do you agree that, although we have spent a lot of time and investment on DAB, we have backed the wrong horse?

Tony Close: Neil Stock might want to add something, but I do not think that that is a question for us.

George Adam: Well, you have been telling us today that DAB is the future. I am saying that it is like Betamax—it will be consigned to the shelf and forgotten about.

Tony Close: I do not agree with the analogy.

George Adam: FM is still king.

Tony Close: Increasing the use of DAB in the United Kingdom is a public policy intention. That has been the policy for a while now, and it still is.

George Adam: Is the customer—the listener—not key in this? They have not made that move; they are still listening to FM.

Tony Close: Glenn Preston might have referred to this, but the data shows that people are listening to DAB in larger and larger numbers every year.

George Adam: However, most of them are still listening to FM.

Glenn Preston: No, I think that the radio joint audience research, or RAJAR, figures have shown today that that is not the case. I have not had a chance to look at them in detail, but I think that we are now over the 50 per cent threshold. I think that possibly 54 or 55 per cent of people in Scotland listen to digital radio.

In last year's "Media Nations" report—we will produce another one this summer—we said that, in Scotland, the majority of people were still using FM services. However, it looks like, in the past 12 months, there has been a significant jump towards more people using DAB services.

George Adam: In terms of technology, when I wake up in the morning, I tell Alexa to play whatever radio station. That is the future, and DAB is Betamax—it is something that people will talk about as having been around in the past.

Neil Stock: We absolutely understand that view. The new RAJAR figures have shown that listening to radio through smart speakers is a huge growth area. Commercial radio has recognised that and has started to enable people to listen to the radio stations in that way.

We recognise that there are different views about DAB and its coverage. The DCMS review that Margot James MP announced on Monday seeks to recognise that DAB is probably going to be part of a multiplatform future for radio, but nobody knows how big a part it will play. DAB is still important to the commercial radio industry—the industry would probably tell you that itself—but its role will be as part of a much wider future of multiple platforms, including online and other ways of listening. The wide review that the UK Government has kicked off is designed to see where radio as a whole, including commercial radio, fits into that future of multiple means of delivering audio content; which platforms are important; and where DAB sits among those platforms. If the review finds that DAB will become the Betamax of radio, with no one listening to it, a different view might be taken about its future. However, for the time being, DAB is showing extraordinary growth.

As Glenn Preston said, the number of people listening to radio digitally, including via DAB, jumped quite significantly in the most recent set of

RAJAR results. DAB ownership is now higher in Scotland than it is in the UK as a whole. I think that audiences are migrating to DAB. Clearly, that process has been a lot slower than people imagined it would be, but I think that, at least among those in the radio industry, there is collective support for DAB as part of a multiplatform future.

George Adam: You mention the RAJAR figures. The only commercial licence that you have issued in Scotland in the past 10 years is the one for Nation Radio Scotland. The 96.3 FM frequency has been a problem on the west coast of Scotland since Q96 used it to broadcast from my home town of Paisley, before it was used by various other stations.

The figures that have come in show that Nation Radio Scotland has been an absolute success, and that it has managed to achieve its first target of 50,000 listeners. It prides itself on the fact that its programming is made in Scotland and its presenters are Scottish. The whole idea is that the station is Scotland's voice, which takes us back to the old days of commercial radio, effectively. That shows that there is an audience for that type of radio. However, that is the only licence that you have issued in 10 years. There is scope on the bandwidth to have more such stations and for us to go for an American-style idea of city-based radio stations. We could have a situation in which we have more than one commercial radio station in our nation's capital. Why are we not developing that further?

09:30

Glenn Preston: In our final statement, which we published in March, we said that we will explore whether there is scope for making FM available for commercial purposes, and we have started that internal conversation. As has been said, there are arguments for, which are about being pro-competition and having greater choice and more local content. There are also arguments against, given both the rapid market changes that Neil Stock described and, in some areas, scarcity of spectrum.

George Adam used Edinburgh as an example, where there is a distinct lack of spectrum, apart from the spectrum that is available for special events. However, we recognise that Edinburgh has, in effect, one commercial station. We are having an internal conversation within Ofcom at the moment—particularly with our spectrum colleagues—to consider where stuff might be available.

George Adam: There are two streams of thought in commercial radio at the moment. There are the Bauers and the Globals, which are about creating a virtual network using local licences, and there are local operators such as New Wave, which is now owned by D C Thomson, as has been mentioned. D C Thomson as a media group prides itself on its localness; even in print, it has various editions of local newspapers. New Wave is therefore a perfect fit for D C Thomson, because its stations are city or area-based. Those are two distinct models of working.

The other stations that I mentioned have been very successful in their own areas. People from Aberdeen talk about the Aberdeen station, and people from Dundee talk about the Dundee station. Should you consider that as a model? There is scope in the bandwidth—I do not care what you say; I am aware from people who are experts in the industry that it is available. Could you not consider doing more than issuing just one new licence in 10 years?

Glenn Preston: That is exactly what we have said we will explore. The short answer to your question, therefore, is that we will consider it.

I stress the point that there are areas in Scotland where spectrum is scarce. However, there will be other areas where it may be possible to make a viable commercial model of the type that you described, which Nation, or D C Thomson, wants to follow. We will consider it.

Neil Stock: Small-scale DAB is an additional opportunity. I accept the comments that others have made about DAB. However, it is another distribution platform for the likes of D C Thomson and Nation Broadcasting, if they wish to use it.

George Adam: I have heard from presenters who have thought of starting their own station and using DAB as a platform. However, it is very expensive for them and they cannot, as new starts, get space on the local hubs.

Neil Stock: The regime has been designed to make the technology that is used by those multiplexes—the platforms for broadcasting—much lower cost. We hope that that will be one of the benefits of small-scale DAB.

George Adam: What if the public put DAB on the shelf and it becomes Betamax? What if the approach is flawed?

Neil Stock: That is clearly why anyone who is interested in operating radio stations in the future needs to be thinking in a much more multiplatform way, rather than focusing on one or even two platforms.

George Adam: Do you not accept that you, as the regulator, should also be thinking in that way, to ensure that we get the best for customers?

Neil Stock: Yes. As we said, our role is to facilitate where we can. As Glenn Preston said, we are considering whether FM is a suitable platform and whether there is spectrum availability, and we are trying to make DAB more widely available as a platform. Clearly, we have no input into online radio; anyone can start an online radio station at any time and we have no regulatory remit in that area at all.

On community radio, we have talked about further opportunities for a different type of radio that delivers local content. From our point of view, looking across the totality, we try as much as we can to facilitate opportunities for people who want to run the different local radio models that you have talked about.

Stuart McMillan (Greenock and Inverclyde) (SNP): I will touch on the letter of 14 May that the committee received from Ofcom. You have already apologised this morning for omitting to contact the committee, and we all accept your apology. However, I will be honest with you: it is quite ridiculous that Ofcom ignored the Scottish Parliament and MSPs when it went through its consultation process last year. It strikes me that forgetting to contact the Scottish Parliament shows a touch of arrogance.

Glenn Preston: We got things wrong. I do not know for definite that we did not contact the Parliament when we published our consultation in June last year, but I have looked back and it does not look as though we did. If that is the case, we made a mistake, because, as you know, our normal practice is to share consultations that cover the breadth of matters that Ofcom regulates. We do that with not only this committee but other Scottish Parliament committees. We shared with this committee and other committees our draft and final annual plans for 2018-19, which contained our proposal for the work in the area that we are discussing.

What I will take from the process is that, when we do our annual planning, which will be in October or November this year, we will specifically highlight the programmes of work that will be of interest to the individual committees in the Scottish Parliament. That would be an improvement on our current process. At the moment, we highlight what we have published and the areas of interest, but, for this committee and particularly for the Rural Economy and Connectivity Committee, we will highlight the individual work areas that we think will matter most to the committees.

Stuart McMillan: That would certainly be helpful.

I want to ask about DAB radio. I have never seen the need to purchase a DAB radio, and George Adam talked about the importance of FM. Initially, DAB radios were very expensive, although they are a lot cheaper now. Today, folk can simply download an app to access music very easily from anywhere in the world, so I struggle to understand why there is still so much emphasis on—and, potentially, investment in—DAB.

Neil Stock: As I said, the radio industry sees DAB as an important part of a broader multiplatform future. Alongside the BBC and the UK Government, the commercial radio sector invested in extending the coverage of some existing DAB multiplexes. The sector might consider DAB to be important, given its benefits of being free at the point of use and a platform that the UK radio industry can control. I do not want to speak for UK commercial radio—it can speak for itself—but we understand why it would consider having a digital terrestrial platform, as part of a multiplatform future, as being a benefit. DAB is free at the point of use for listeners, which is important because people expect radio to be free. To listen to online radio stations, people need to have an internet connection and an internet service provider.

As Margot James said on Monday, the future of the radio industry is not simply a question of analogue or DAB. That is one sub-question in a much broader set of issues about where UK radio will fit into this brave new world with all the new platforms and competition. What is the path for securing the industry's future?

Stuart McMillan: I suggest that there should be more investment in apps than in DAB.

With regard to local content, I listen to various radio channels throughout the day and over the weekend, because I get bored listening to only one station and find the music to be repetitive. Sadly, when I switch from channel to channel, I find that the same playlist is used—the songs are just played in a different order.

I know that radio stations are commercial operations and that they will make their own decisions in that respect but, as Joan McAlpine said earlier with regard to Bauer, the playlists seem to be set elsewhere. Could Ofcom recommend or suggest to commercial radio stations that they do something about having more local music and creative content as well as more local presenters?

Neil Stock: I do not think that my colleagues from Bauer Media sitting behind me would thank Ofcom for telling them what their playlist should include.

Stuart McMillan: I am sorry—I am talking not about the whole playlist but about a certain level or percentage of its content.

Neil Stock: That moves us into the area of music format regulation, which has also been deregulated quite significantly in recent years, again on the basis of proportionate regulation. The question is: which organisations are best placed to judge what listeners want to hear? We think that it is the radio stations themselves, and we have ended up with radio stations having the flexibility to play the music that their listeners tell them that they want to hear. They might not be reaching you or, indeed, other people, but they will do their own research to determine what they think their listeners want to hear.

As far as music format regulation is concerned, music is available everywhere from all sorts of different sources. As with the argument on localness, there was clearly an argument to be had over the rationale for regulating a specific subset of the media industry—in this case, local commercial radio—quite prescriptively with regard to the music that they play, given the amount of competition and the fact that you can find any kind of music that you want to listen to somewhere. Commercial radio now has, to a certain extent, maximum flexibility to play the kind of music that listeners want to hear. There are still some music formats that require music from outside the mainstream, although there are not very many of them. Nevertheless, there is an absolute recognition that a regulator making a top-down intervention on the music on commercial radio does not seem appropriate in this day and age.

Stuart McMillan: I actually quite like most of the songs that are played, but when you hear them day after day, it gets a bit repetitive, and sometimes it is good to have variety in a playlist.

Neil Stock: You might wish to put that point to the next panel.

Ross Greer (West Scotland) (Green): I return briefly to the issue of the consultation that the convener highlighted at the start of the meeting. In their responses, smaller stations—the Kingdom FMs of the world and so on—raised concerns about the changes, and those concerns have largely been validated, given the first moves that Global made off the back of the changes. If you were given the opportunity to respond to the concerns expressed in the consultation by those local stations—and you are obviously being given that opportunity now—could you say what safeguards you believe you have put in place to address them?

Neil Stock: I apologise for pausing, but I am trying to remember the specific concerns that were raised. Obviously, deregulation is something that those stations can take advantage of, too, if they so wish. Again, people on the next panel will be able to speak to this more directly, but I think that deregulation gives as much flexibility to smaller stations in choosing how they wish to serve their audiences better as it gives to larger groups, and they will make different judgments in that respect. Indeed, we have already heard about the differences between different local radio models.

We understand that there are some concerns from different players in commercial radio about what their competitors are or are not doing, but I think that the overall effect of our changes—which I again point out confer no obligation on any licensee to do anything at all—has been to create flexibility. Some licensees have clearly chosen to make changes, and others will choose not to—it is entirely up to them. What I think is important for smaller commercial radio stations is that they should work out their business model for survival. If providing lots of locally made programming and local content delivers them an audience and, as a result, advertisers—and let us not beat around the bush here; that is what keeps them on air—that is what they will continue to do. If they decide that they cannot deliver a big enough audience to sell enough advertising, they will make different choices. The flexibility is what is important. Deregulation takes prescriptive regulation away to give the operators the flexibility to choose the model that they wish to follow.

09:45

Ross Greer: I take your point about deregulation in theory giving everyone the same flexibility, but do you recognise that, inevitably, in any sector—not just radio—that flexibility will always be greater for the larger organisations? Smaller organisations—smaller stations, in this case—were significantly protected by regulation. In an increasingly deregulated market, the larger competitors will always be more competitive.

Tony Close: It is worth saying that, even in the previous era, it is true that larger groups were better able to exploit—or more capable of exploiting, or working effectively within—the regulatory framework.

It is also important to return to the fact that we have not removed localness requirements from commercial radio. There are still prescriptive requirements for the commercial sector. They are at a lower level but they impact as significantly on the larger players as they do on the smaller ones.

Ross Greer: With respect, Mr Close, the first change that has come off the back of deregulation was that the goal was changed to reduce localness, to all intents and purposes. I accept that you are saying that you have not removed the requirements completely, but you have deregulated and loosened those requirements, and that has resulted in a loss of localness. Do you not recognise the concern that comes from the local stations that, in any deregulation, they will be disadvantaged because the larger players will always be better able to take advantage of a deregulated market?

Tony Close: I will not dispute the way that they feel about it; that is clearly their view.

However, this is an opportunity for them to create an environment within which they can have a brand of localness. There is an opportunity for more than one model and more than one type of radio station to exist in this market, and that is what the flexibility provides. The local stations do not have to follow suit. They can mark out a niche for themselves.

Annabelle Ewing (Cowdenbeath) (SNP): I want to go back to the consultation, if I may. I understand that the advisory council for Scotland that advises Ofcom raised concerns about the research conducted by Kantar Media in 2015 that Ofcom cited. That research involved listeners' preferences for local radio.

The concern is that very little data appears to have been collected in Scotland. I understand that something like 151 individuals in total form the basis of that research and, if it was to be proportionate, that would mean that the research, which played an important role in what Ofcom did, would have involved approximately 13 individuals from Scotland. Do you have any concerns about that?

Glenn Preston: I will go first and Neil Stock might want to come in after me.

There were actually two pieces of research. The Kantar research to which you referred dates back to 2015, was qualitative and was a smaller sample; from memory, I think that there were sessions in Falkirk and Inverness. That research was supplemented by the research to which we have referred throughout this meeting, which was a Populus omnibus research exercise that we did just before the consultation in June 2018. It sampled more than 1,600 people from across the UK and the Scottish sample was 155, so it was proportionate; actually, the Scottish share was probably slightly higher than the Scottish population proportion. That is the research that formed the basis of our decisions about engagement or listening to what audiences said to us.

Qualitative research is really helpful because it provides colour and depth, as you know, but the further research that Populus did independently for us is more statistically accurate.

Annabelle Ewing: Are you saying that the Kantar research played no role at all in your subsequent decisions?

Glenn Preston: No; I am not saying that it played no role at all. I think that it is—

Annabelle Ewing: You talked to 13 people, not from across Scotland but from Falkirk and Inverness—I have no problem with 13 people from Falkirk and Inverness being asked about their views; that is important—but there are other places in Scotland.

Glenn Preston: Absolutely, and our wider Populus survey would have caught people from other parts of Scotland. All I said was that the qualitative research provided us with depth in our knowledge and understanding that complemented the wider omnibus survey that we did during the first half of last year.

Annabelle Ewing: I do not think that there is much point in me asking further questions along that line, as the research figures speak for themselves.

The Convener: I have a supplementary question. We have had a lot of discussion about Ofcom's regulatory role with regard to television, on which you are increasingly understanding that it is not just a numbers game and that Scotland is a nation, within which there are very diverse populations. Therefore, conducting a survey in which the Scottish element is based on population share does not acknowledge that Scotland is a diverse nation. It does not sound as though even the survey that you cite as the better one, which involved 155 people, could reflect the diversity of Scotland and the demands of the country.

Glenn Preston: I am not sure that I agree with that. When we design such things, we are very careful to ensure that there is as much geographical diversity as possible. The survey to which you refer is not the only research that we do that informs our work in this area. For example, we do an annual news consumption survey, which has a wider base.

You mentioned television. We are in the middle of a review of the BBC's news and current affairs output. The fact that, next week, we will do our news consumption survey and qualitative work in Stornoway and Dundee shows that we are dealing with the point that you make.

The Convener: I was saying that you seem to have moved forward when it comes to television in Scotland but, in looking at commercial radio, you seem to have treated Scotland simply as a proportion of the UK population, as opposed to a diverse nation of diverse communities with different needs.

Glenn Preston: I think that the Populus research that we did addresses that point, because it had a wider geographical spread—

The Convener: It involved 155 people.

Glenn Preston: I hear what you are saying.

Kenneth Gibson (Cunninghame North) (SNP): Earlier, you mentioned that community radio stations find innovative and creative ways of finding funding, but I understand that quite a lot of them lead a hand-to-mouth existence. Would you prefer there to be a longer-term, more stable funding model and, if so, what would that look like?

Tony Close: I would prefer that. Do you have a model in mind, though?

Kenneth Gibson: Well, you are the regulator, so I thought that you might have some ideas. You work in the area, and we are here to ask questions about that.

Tony Close: Of course. I do not have the answers on the long-term sustainability of community radio, but I know that community radio stations draw on a range of funding sources and funding models. The big thing for us is to make it easier for them to operate at lower cost so that they can maximise the value of the funds that they get. I know that members will be tired of us making reference to this, but that is why we were so keen to press ahead with small-scale DAB, because it provides community radio stations with different ways of sustaining their model in the market that might well be more cost effective.

Kenneth Gibson: Basically, DAB is a less expensive way of operating, which will help with long-term sustainability.

You said that a significant number of new groups are interested in small-scale DAB and that you have had around 700 expressions of interest. Can you give us some examples of the innovative and creative ways of finding funding that you mentioned, for the benefit of any people who are interested in running community radio services?

Tony Close: If you do not mind, I will ask Neil Stock whether he can talk through some of the funding models.

Neil Stock: I am afraid that we do not have that data. The expressions-of-interest round that I referred to was simply a call for anyone who was interested in operating an existing or a new radio service, whether a community one or a commercial one, to express an interest in running that service on small-scale DAB. We simply wanted them to tell us where they were and who they were; we did not ask them a series of questions about how they intended to fund their service. That will happen when they apply for a licence, when we have to judge things such as their ability to maintain their service.

Therefore, I am afraid that we do not know what the picture is with regard to funding models. Potential operators will have their own ideas about how they think that they will fund themselves.

Kenneth Gibson: You said that there were creative and innovative ways of funding those services, so I thought that you might have had some examples. That would have been helpful for the committee.

Tony Close: It was me who used the term “innovative and creative ways”. I was contrasting community radio, which draws its funding from a variety of different sources, with commercial radio, which relies on the traditional advertising model.

Kenneth Gibson: Thank you for that clarification. You talked about there being no online regulatory control. Is that something that you would like to see? I realise that it is not easy, because something that is online can be from any source. Also, what impact do you think that the growth of online platforms might have, or is having, on commercial radio? As you said, anyone can set one up.

Tony Close: Do you mind if we answer that in two parts?

Kenneth Gibson: Of course not.

Tony Close: I will answer the first part and ask Neil Stock and Glenn Preston to pick up the second.

The debate about the extent to which online audio or audiovisual content should be regulated, if at all, in the UK or the world is a hot topic at the moment. Ofcom does not decide whether the internet is regulated, but we are informing the debate in the UK by providing information on what might and might not work, and what might provide consumers with greater protection or quality of experience and what probably could not be transferred from traditional regulatory models. Although the debate, to date, has focused on protecting people from harmful content online, I imagine that it will grow and, in the UK, continue to focus on the competitive and economic models. It could also consider how we can secure public benefit from audio and audiovisual services online, but that debate is at a nascent stage at the moment.

Neil Stock: We referred earlier to the fact that part of the rationale for the changes that we made was the continuing increase in competition from unregulated audio services, which, as you say, are as much from around the world as from the UK. There will be a continuing competitive impact on terrestrially broadcast radio stations, because those services can come from anywhere and broadcast anything they like. They will continue to act as increased competition, which will only get larger and wider. For certain players—Amazon, for example—there are ways in which the Alexa devices could be programmed so that if someone wants to listen to a certain type of music they are directed to an Amazon service rather than to one of the UK radio stations. The competitive challenge for our radio industry is its place in that world, given the increasing extent of the competition.

Kenneth Gibson: What level of competition are we talking about? Are you monitoring its growth? Will that be 1, 10 or 50 per cent? What kind of threat will it pose for local radio stations in the future, and will that impact on further regulatory considerations?

Neil Stock: We do not know, but we are looking at that. It is also one of the biggest questions that the DCMS review is looking at, and I believe that some new research is to be done—possibly by Ofcom, but also by other parties—to look into questions about what the radio industry will look like in 10 years' time and how much of a share of all listening it will have, given the increasing competition. There is obviously a certain degree of crystal-ball gazing at the moment.

The amount of online radio listening is still relatively small—although it is growing significantly, partly through smart-speaker use—compared with traditional radio, as we think of it. Online listening will clearly continue to grow over the next decade and, as I said, the challenge for the radio industry is to think now about what the route looks like to prepare it for the future, rather than to wait for that growth to happen and see where it is in 10 years' time.

Glenn Preston: We are committed to producing the first of what will, I think, be an annual report called online nation, which will look at the existing evidence relating to your questions. We are scheduled to do something on that over the next three or four months and I promise to share it with the committee.

Some of our most recent data about the impact of streaming services such as Spotify and Apple Music showed that they accounted for about 11 per cent of all listening in Scotland. That was last year's data, I think, and we are due to update it over the summer. As Neil Stock said, we expect that figure to rise.

Kenneth Gibson: Okay. In talking about responses to the consultation, you said that it is not about numbers but about what is said. Is it not also about who is saying it? Concern was raised by the convener that the big players have more clout than others. Do you accept that?

Glenn Preston: No single respondent to a consultation would be given greater voice or impact than any other. We treat all respondents equally, so I hope that we would not do that. As we have said, we try to make proportionate decisions based on the totality of the evidence.

Kenneth Gibson: Okay. Thank you.

10:00

The Convener: I repeat that, as I said earlier, 35 of the 46 responses disagreed with the changes. You seemed to go ahead on the basis of the responses from the big players.

Kenneth Gibson: It is a contradiction.

The Convener: Yes.

No committee member has indicated that they want to ask an additional question. Neil Findlay has joined us as a substitute for Claire Baker. Neil, just to take a belt-and-braces approach, do you have any relevant interests to declare?

Neil Findlay (Lothian) (Lab): I have none.

I have a basic question for the witnesses. I see that some of the papers talk about reduced advertising, reduced hours of listening and cuts to numbers of listeners. If you were to put everything aside and start from scratch, what would you do to reverse all that?

Tony Close: Are you talking about the model for commercial radio?

Neil Findlay: Yes.

Tony Close: You will think that I am avoiding the question, but I genuinely do not think that it is my job to come up with a brand-new, sustainable model for the commercial sector.

Neil Findlay: Would you do what you are doing just now?

Tony Close: If you are referring to alleviating regulatory burdens, the answer is probably yes. I think that it will help the sector to sustain itself in the face of increasing competition.

Neil Findlay: There are three people here who are involved in radio and none of you can tell me what the optimum model would be.

Neil Stock: If I take your question to be, "If we were in the world that we are in now"—

Neil Findlay: If you had a blank sheet of paper and somebody said to you, "Go and design the way that commercial radio should be rolled out"—

Neil Stock: I think that my answer is a variation on Mr Close's. In the light of the multifarious ways in which consumers can now access audio content—local content and music—would we impose significant regulatory burdens on one method of delivering that? We probably would not.

Neil Findlay: Is it your view that there should be an open, free-market approach? Should people be able to set up a station and just crack on with it?

Neil Stock: That is a different question. Obviously, we have an existing statutory framework, and Ofcom has to operate within that until such time as the UK Parliament chooses to change it, which it has not yet done.

Neil Findlay: I asked the question on the basis of having a blank sheet of paper. Would there just be a free-for-all? Would that be the best way? Should we let the strongest survive and let the rest sink?

Glenn Preston: It is a hypothetical question—

Neil Findlay: Yes—it absolutely is.

Glenn Preston: It is not one that we feel able to answer—

Neil Findlay: Okay. That is fine.

Glenn Preston: —but there will be scope for such a conversation in the context of the DCMS review of digital radio, because it has accepted that the world has changed dramatically. As Neil Stock said earlier, it is not just about the shift between analogue and digital; it is also about all the IP-based multiplatform services. The question that the DCMS will have to address in its review is quite an existential one.

Neil Findlay: Will you folks contribute to that consultation?

Glenn Preston: Yes. We will certainly—

Neil Findlay: So we will hear your view then, but you cannot give it to us now.

Glenn Preston: We will input to it in conversation, but we do not yet know what its final scope will be.

The Convener: Alexander Stewart has indicated that he wants to come back in.

Alexander Stewart: On representation, is it not vital to maintain audiences' involvement in the whole process, and diversity within that? Going back to the comment that we discussed earlier, do you believe that your proportionate changes will help to ensure that there is diversity within the industry?

Tony Close: Yes. They will certainly contribute to a framework where there can be greater diversity in the industry, but it really is up to the industry to take those opportunities.

Alexander Stewart: However, you did a survey that looked at how diverse the industry was, and what you found was quite stark. There was underrepresentation of women and many ethnic minorities, and disability was not given much scope, either. If you are not engaging with that, then, in your own way, you might be deflecting your own audience base.

Tony Close: I apologise. I thought that you were asking about a diversity model for delivering local content in different ways, rather than about the diversity of the workforce in commercial radio.

I do not think that the work that we have undertaken to liberalise localness in commercial radio will have direct consequences for the nature of the workforce when it comes to the characteristics of those who work in commercial radio, and I do not know whether I could confidently say that it will positively support greater diversity. However, Ofcom has done an enormous amount of work to hold the radio industry—and the TV industry, as it happens—to account in order to better reflect the make-up of the UK as a whole when it comes to the people who are hired, promoted and retained in organisations and the voices that are heard.

Alexander Stewart: You have identified that there is a long way to go for that to become the norm.

Tony Close: Yes.

Alexander Stewart: Do you believe that your changes will improve the position? I suggest that they may not.

Tony Close: I do not know. That is my honest answer. That was not the primary intention behind the changes. Given that they provide commercial radio with the flexibility to do things differently, they have the potential to have a positive impact on the make-up of the workforce, but I could not say, hand on heart, that they will.

The Convener: I have a final question to wrap up. What action will Ofcom take if listener choice is adversely affected by the changes?

Glenn Preston: We keep all the policy areas under review, and if we feel that things are not working, there is scope for us to revisit them. We have barely started. The decisions were made only in the autumn of last year, and we have seen at least one player decide that it wants to respond with changes. We have not seen that from others, but we will keep an eye on the matter over the coming months and years.

The Convener: Okay. Thank you very much for coming to give evidence to us today.

I suspend the meeting briefly to allow a changeover of witnesses.

10:06

Meeting suspended.

10:09

On resuming—

The Convener: I welcome our next panel of witnesses, who are Graham Bryce, group managing director of Bauer Radio's hits radio network; Peter Davies, project manager at Bauer Media Audio; and Adam Findlay, the head of radio at D C Thomson. I thank you for your written submissions.

I will first address Adam Findlay of D C Thomson. You are supportive of the proposed deregulation, but you have criticised Ofcom and the DCMS because the underlying policy approach seeks to prevent existing commercial FM operators from utilising any remaining FM spectrum. Will you elaborate on that? What are the consequences? You will have heard from earlier committee sessions on this matter that we are particularly concerned about diversity of choice for listeners.

Adam Findlay (D C Thomson Media): I have had that concern for a number of years while we have been on the journey to greater freedom and deregulation for commercial operators in Scotland and the rest of the UK. Along with my fellow radio operators, I believe that we should be allowed a freer framework and greater flexibility to deliver local radio and that we should take advantage of new processes and technologies. What you said is correct—I have supported deregulation and the on-going journey towards deregulation for those reasons.

However, I have also long held the view that that should be balanced with an effective check on how we continue to deliver local radio services to our communities around Scotland. Commercial radio in Scotland enjoys a unique relationship with its audiences, which is different from the situation in the south, because we do not have a local BBC network—just a national radio station. Local commercial radio plays an incredibly important role in Scottish communities.

I was delighted that a number of members during the earlier session picked up on the issue of the absence of competition and local commercial radio operators in Scotland. That is why we find ourselves at this point in the journey. On one hand, we have been pursuing deregulation and greater freedom for commercial radio operators to enjoy, but there has not been the check and balance and proper level of competition in many markets to ensure that we have a rich, vibrant, diverse and healthy Scottish commercial radio landscape.

It will come as no surprise to many people in the room that those have been my views for a number of years, and that I have articulated them on many occasions to Ofcom. Until today, they have been largely ignored, so I was delighted to hear today that Ofcom has decided that it will review the opportunity for commercial radio operators to enjoy more FM spectrum, because that in large part is why we are now feeling the absence and sense of loss that deregulation might bring.

The Convener: You were obviously listening intently to our earlier session with Ofcom. What was your view on the answers that members received when they asked about the consultation that Ofcom ran and the research that was used for that consultation?

Adam Findlay: In the journey to deregulation, Ofcom listened to the commercial radio operators and, pretty much universally, with one or two exceptions, commercial operators supported deregulation. I accept and acknowledge that there were a number of other contributors to the consultation process who did not share that view, and I heard that highlighted to Ofcom this morning.

As a commercial radio operator, we supported deregulation and we submitted a response, which is publicly available for people to read. However, we were not listened to regarding the need to allow commercial operators to expand on FM, as well as DAB. The DAB opportunities have not been under the same pressure as FM.

We are a commercial radio operator in Scotland with a different model from that of Bauer or Global Radio. We respect their model and believe that they should be allowed to ply it freely. It is a wee bit controversial and attracts views, but that is their prerogative. However, we have not been afforded the same opportunity to expand our model, which is delivering local content in local communities across Scotland. That is where the injustice, unfairness and lack of balance come from, in my opinion.

10:15

The Convener: I was struck by the image that you painted in your written submission of the landscape in Scotland, with a large number of struggling community stations at one end and a tiny number of very large players at the other. I take it from what you are saying that that is a result of the regulatory framework. Does that just apply to Scotland or is it an issue across the UK?

Adam Findlay: It is particularly acute in Scotland, but there will be examples across the UK. My focus is principally on Scotland and it is more acutely felt in Scotland. I sit here as a representative of D C Thomson with its new entry into the radio landscape, but I also believe—and this is a D C Thomson value—that we have a wider responsibility to ensure a rich, vibrant and diverse media landscape. Therefore, as I sit here, I am mindful of Shetland Islands Broadcasting Company and Waves Radio in Peterhead, which are equally under threat and under pressure.

As I sit here, my mind is on not just what is in the interests of D C Thomson but what is in the best interests of the Scottish commercial radio sector as a whole.

The Convener: Thank you very much. Peter Davies, you worked for Ofcom before you moved to Bauer—

George Adam: That is cosy.

The Convener: I imagine that you were expecting this question—I can see you smiling. Did you move directly to Bauer from Ofcom?

Peter Davies (Bauer Media): No—I was an independent consultant for two years after I left Ofcom.

The Convener: What impact did working for Ofcom have on your role at Bauer? Did it help you to get Bauer's views across in the consultation on commercial radio?

Peter Davies: Part of my job is to help Bauer to frame its views. I think that those views were fairly well defined anyway. When you are gamekeeper turned poacher, you understandably have a different perspective on things. Having said that, I would hope that, when I was at Ofcom, I understood the pressures that commercial radio was under and the need to serve audiences. It is about that balance. I think that it is about the same balance for Bauer as a commercial operator. We are a commercial business, but it is in our interest to maximise audiences, as that is how we make money. To do that, we have to offer audiences the services that they want to listen to and that very much includes local content.

The Convener: Of course, you have a lot less local content in those services than you used to. I can only speak from personal experience. When I was growing up in the west of Scotland, Radio Clyde was very much part of the cultural landscape. Many, many years ago, I had a role as a music journalist, so I was familiar with the Scottish music scene back in the 1980s and 1990s; Radio Clyde played a big role in that music scene by giving young bands, for example, the opportunity to be heard.

We have heard from Ofcom that the reason for the very restrictive playlists that are set elsewhere is audience demand. That has certainly not been my experience in the west of Scotland over the past 20 to 30 years. There has been a huge demand for local content. I believe that that is reflected in the fact that the football phone-in programme on Radio Clyde has the highest number of listeners. Clearly, your move away from local content right across the radio station is not necessarily what your listeners want.

Peter Davies: I will defer to my colleague Graham Bryce on the music policy. All I would say is that, back when Radio Clyde launched in 1973, it was the only commercial radio station in Glasgow, but there are now a range of stations on FM and an even greater number of stations on DAB. Of course, on the internet, there are almost countless stations.

The way in which people access the sort of music that they want to listen is much more open than it ever was. Bauer offers a wide range of music services but does so in a different way from how we used to, when we had to cram every type of music into one radio service. These days, people can choose what type of music they want to listen to at any time of the day. Across the UK, Bauer offers Jazz FM, Planet Rock, and Kiss FM. We have just launched a classical music service called Scala Radio, and we have just launched a country music service. There is a wide variety of music out there for people to listen to at any time.

I will let Graham Bryce answer the point about local stations.

Graham Bryce (Bauer Media): I disagree with the convener's point, because I think that the listeners of Glasgow and the west enjoy the Radio Clyde output.

Our content policy on that station and every other station is driven by listener demand and what we think the listeners want to listen to. You might have your own personal views of it, but one third of the people of Scotland listen to one of our radio stations every week. Our stations in Scotland are some of the most successful radio stations in the country. We outperform the BBC in every market in which we operate. We are number 1 in our market in every single area of Scotland.

We spend a lot of time ensuring that the content that we produce is what the listeners want. We research the music and other content, and I think that we are successful at delivering what the listeners want. The RAJAR and audience figures prove that.

The Convener: What are the audience figures for Radio Clyde like compared with what they were, say, 20 years ago?

Graham Bryce: Obviously, they are lower than they were 20 years ago, because there is more competition—it is as simple that. Twenty years ago, Radio Clyde was the only commercial radio station in the marketplace. Now, with digital radio, there are probably 70 or 80 competitors on traditional broadcast media alone, and then there is competition online, for example from Spotify. There is competition for listener attention from all sorts of angles. It would be wrong to compare the two, but Radio Clyde was the most listened-to station in the market 20 years ago and it continues to this day to be the most listened-to station in the market.

The Convener: Of course, we have already heard that there is not a great deal of diversity or competition, which is probably reflected in the profits of the commercial radio stations.

We move to questions from Tavish Scott.

Tavish Scott (Shetland Islands) (LD): First, I thank Mr Findlay for mentioning Ian Anderson and the SIBC. Forgive me for the daft-laddie question, but why do you want to expand on FM?

Adam Findlay: FM is where we are still able to reach most of the audience. Some interesting facts were given earlier in the meeting. Audiences can be measured in a number of ways in Scotland and the rest of the UK. Until recently, Ofcom rightly used an extremely robust Rolls Royce methodology called tech tracker for measuring DAB and FM audiences in Scotland. It measures a number of different things and it regularly tracked DAB listening in Scotland at roughly between 10 and 12 per cent behind DAB listening in the rest of the UK.

About two years ago, Ofcom seemed to change the measurement methodology that it uses to measure DAB listening, and it now refers to RAJAR, which asks a different question about DAB listening that throws up a slightly different statistic. The committee therefore needs to be aware that there are different ways to arrive at an answer. RAJAR will give the highest possible answer—I will say that for a start.

FM remains the place where the big money still is for Scotland. In the short to mid-term, it will continue to be where—

Tavish Scott: When you say short to mid-term, what do you mean? Is it 10 years?

Adam Findlay: I would say certainly the next five years, and possibly 10. At the end of the day, we as operators—and Bauer will have the same philosophy—need to deliver the audiences to justify our advertiser results. I cannot do that on DAB because I do not believe that the way in which that data is collected is in the advertiser's or shareholder's interests. I am therefore advocating that we should be allowed to continue to expand on FM. However, that does not meet Ofcom's policy interests and, for the past 10 years, I have not been afforded those opportunities. As a result, my business has been frustrated, because we cannot continue to expand on the current economic platform. DAB continues to be part of a future platform that might, at some point, become economically viable for everyone.

Tavish Scott: I do not want to steal George Adam's thunder, but I just want to understand this point. Is the view that you have just expressed that of commercial radio not just in Scotland but across the whole of the UK?

Adam Findlay: It is held by quite a number of my colleagues in commercial radio, mainly outside the major radio groups.

Tavish Scott: So you do not think that, five years hence, the consumer will have made much of a switch to other platforms—apart, of course, from Spotify and the other radio services that we have mentioned. Broadly speaking, we will still be listening to FM radio.

Adam Findlay: I agree that it will be part of a multiplatform landscape. I think that that is true; indeed, Neil Stock highlighted that on a number of occasions, and I think that he is probably right. However, if that is the case, can I please expand on FM, like everybody else?

Tavish Scott: Thank you.

George Adam: To start with, I want to say that I am a big fan of Radio Clyde in its various forms—Clyde 1 and so on—because it is the soundtrack to my life, even if the playlist is in Manchester now.

Global told us that it was using local licences to create a virtual UK network. You could be in the same position—after all, you already network some of your input—so can you tell us what your plans for the future are, given that you have some major brands such as Radio Forth, Radio Clyde and Moray FM?

Graham Bryce: As you know, our content choices are based not on regulation but on what we think listeners want to listen to. We do not go to the regulatory minimum at the moment; in many of our stations, we choose to broadcast more local content, because we think that that is what the audience wants.

On Radio Clyde, for example, we still run a two-hour football phone-in show from 6 to 8, Monday to Friday. That is way above and beyond what we need to do from a regulatory point of view, but we know that listeners love the show; if they love it, they are going to tune in; and if they tune in, we can make some money from advertising off the back of it.

As I have said, we make our choices based on what we think the listeners want. That is not just the case with Radio Clyde; in Moray FM in Inverness, we broadcast under the previous regulation way more than the minimum requirement. We are not going to be driven by the regulatory framework; our lobbying in that respect is really about what the future might look like and our business having the flexibility to adapt to that future.

As much as people would like the world to be as it was 20 years ago, things are changing, and listeners are choosing to spend more time with national commercial radio, Spotify and so on. It is the listeners who are changing the environment in which we operate and, similarly, advertisers are spending their money in different places, too. The environment is changing around us, and we want to have the flexibility to adapt to it.

That said, we are very happy with our business in Scotland. We are very successful here, with a very strong listenership, and we are pretty happy with our balance between local and network. It is about right.

George Adam: Your stations, in particular, prided themselves on letting the local voice be heard; indeed, I think that Clyde's catchphrase was "Your voice on radio". However, the most successful shows on Clyde are the breakfast show, as is the norm, and "Superscoreboard" in the evening. Given that they are so west coast and so much parts of Glasgow and greater Glasgow, do they not go against the idea of networking? George Bowie would have to change his breakfast show if he was networked, because his banter comes from a Weegie-centric background.

Graham Bryce: Absolutely.

George Adam: Is that not the future of your radio station? You used to broadcast 24/7, did you not?

Graham Bryce: We have absolutely no plans to change "Bowie at Breakfast" or "Superscoreboard", because the audience love them. All we have looked for in the legislation and the changes that have been made is the flexibility to adapt to anything that might happen in the future that might affect our business. Unfortunately, the environment in which we are operating is moving way faster than regulation, and we cannot foresee what the future will look like. However, Peter Davies, who has done a lot of work on our business, might want to say a little bit about what he thinks 10 years in the future might look like.

George Adam: He will talk to his pals in Ofcom.

Peter Davies: We do not speak to anyone. [*Laughter*.]

George Adam: I am not convinced.

10:30

Graham Bryce: If the listeners still love what we are doing, we will keep the shows as they are.

Peter Davies might want to talk about how he thinks the world will move on in the next 10 years.

Peter Davies: We are in a long-term transition. Back in 2007, 87 per cent of listening across the UK was to AM and FM. By the end of last year, the figure was less than 50 per cent. Through simple extrapolation and following the trend along a straight line, we forecast that AM and FM listening will be down to 17 per cent by 2025, which means that digital listening will be at 83 per cent. That does not mean that all listening will be to DAB; a lot of it will be done through voice-activated devices and via the internet. We need to prepare for that world. As I said earlier, we are interested in maximising our audience, which means going where the listeners are. If the listeners are listening on different platforms, we need to invest in those platforms.

George Adam: How does Bauer determine the rates and charging systems for its DAB multiplexes? We have heard that there could be issues with access to DAB multiplexes.

Peter Davies: The prices are regulated by Ofcom. In effect, we buy our services from Arqiva, which is the national transmitter operator, and then lease out space on the multiplex, for which we charge a regulated rate. Because of how traditional large-scale DAB works, it is more expensive for a small-scale operator to go on to DAB. If we take the Glasgow multiplex, for example, five or six transmitters—I cannot remember exactly how many there are—might be required to serve Glasgow on DAB, whereas one transmitter is needed for FM. Even though the cost is spread among the number of services, it can be more expensive for a small operator that wants to go on to DAB.

George Adam: Looking in from the outside, I find it a bit strange that you are in charge of the DAB multiplexes, when people who are trying to set up their own radio stations will need to compete against you. That seems to be bizarre.

Peter Davies: As I said, the system is regulated. There are conditions in the DAB multiplex licence to allow for fair, reasonable and non-discriminatory access. We cannot treat others differently from how we treat our own stations.

George Adam: Adam Findlay has, over the years, agreed with my argument that DAB is the Betamax of radio formats, but now you are applying for licences for DAB. Why is that? Have you had an epiphany or a change of heart?

Adam Findlay: Peter Davies is right to say that the DAB system is regulated, to a point, but as I understand it, the price is also market driven; there are different deals on different multiplexes. Some of my commercial competitors enjoy incredibly low rates—particularly on northern DAB multiplexes, including one that happens not to be owned by Bauer—while we are charged an extortionate rate that, as Peter Davies said, is much higher than the cost of analogue transmission. There are, supposedly, free-market forces at work on DAB carriage. However, I am not sure that 80 or 90 per cent of the multiplex carrying a multiplex's own brands constitutes market forces being at work.

One of the challenges and frustrations for all of us, including operators that own multiplexes, is the slow progress of DAB growth. We got into this 20 years ago, but we did not think that we would be where we are now, in 2019—nobody signed up for that. That has been frustrating.

On his specific question, George Adam is right to say that Original 106 FM has decided to go on DAB for the first time. The reason why is that down south, about six months earlier, a radio station in Ipswich had decided not to go on DAB, but when it reapplied for its licence, the local multiplex owner also applied for that licence and won it. I believed that we were starting to see punishments being handed out, whereby stations that were not moving towards DAB carriage were putting their analogue licence at serious risk. Ofcom will vehemently deny that, but those of us who run businesses cannot afford to risk having our licences ripped away from us because we are not on DAB. Our main driver for going on DAB is to protect our FM licence from what is, to be frank, the very hard fist of Ofcom's regulatory processes.

George Adam: Okay. I have one final question.

The Convener: It must be the final one.

George Adam: There are two models: one is to have a network that is similar to the Global Radio model; the other is to have a network that works in various cities and keeps it extremely local. My question to the witnesses from Bauer is this: what percentage of the Clyde 1 and Forth 1 output is currently networked content? I ask Adam Findlay this: how much of D C Thomson's output is locally sourced, using local presenters and coming from the local area?

Graham Bryce: First, we argue that our content is local 24/7. Although the content is not broadcast from the location of that transmitter, we believe that we provide extremely local, relevant and engaging content. As we have argued throughout the deregulation process, the place of broadcast and what comes out through the speakers are two very different things. We provide to the listeners with content that is as relevant, engaging and interesting, and as informative from a local point of view, as it has ever been. That is why our stations are still number 1 in every one of our markets. It happens that some of the broadcast content is not from the location in which that—

George Adam: Is it more than 50 per cent?

Graham Bryce: I would have to look that up. I do not know the specific numbers for each station. We do not have a one-size-fits-all approach, as Global Radio does; each station is different.

George Adam: I asked about Clyde 1 and Forth 1.

Graham Bryce: All the content for Clyde 1 is broadcast from Glasgow, because that is the network centre; 100 per cent of it, 24/7, comes out of that broadcast studio. Some of that content will also be broadcast on other radio stations. Moray Firth Radio, for example, is local from 6 am until 7 pm, barring one hour. The daytime output is completely local and the rest is networked, apart from some weekend shows that are local. In Dundee, we have local breakfast and drive-time shows, and the rest of the weekday output is networked product. It is different at every radio station.

George Adam: My concern is that a lot of Radio Forth's content, which is for our nation's capital, will be coming out of Clydebank.

Graham Bryce: Some of it does. At the end of the day, from our perspective, the listeners love Radio Forth as much as ever and they still tune in. It is still number 1 in the marketplace: one third of the population of Edinburgh listens to that radio station every week. It is hugely popular and the listeners do not care that some of the content comes from Clydebank, because what is coming out of the speakers is a radio station that they still love. That is the most important thing. It is not about whether it is broadcast from Edinburgh or not.

George Adam: Adam Findlay's model is different. What can you add?

Adam Findlay: Our Original 106 FM station in Aberdeen is 100 per cent local. To be clear, we define "local" as coming from the station's area. Wave FM is 100 per cent local from the Dundee area and Kingdom FM is 100 per cent local from Fife. Not one minute comes from outside those areas.

Jamie Greene: You said that 100 per cent of the Radio Clyde content comes from the west coast. Is that the case for Radio Forth?

Graham Bryce: I have just explained that some of the content on Radio Forth—Forth 1, as it is—comes out of Clydebank, because some of it is networked.

Jamie Greene: Is that reflected in the listening numbers? I see that Clyde 1's reach is up 11 per cent, year on year, and Clyde 2 is up 30 per cent. Those are good numbers.

Graham Bryce: Yes.

Jamie Greene: However, Radio Forth is down 16 per cent and 19 per cent respectively for Forth 1 and 2. Is that a reflection of how you schedule the content?

Graham Bryce: That is not at all the case. Our audience figures tend to go up and down because surveying is not an exact science. However, the trend is that Radio Forth has much the same audience level as it had 10 years ago. Apart from the macro trend of there being fewer people listening to local radio and more listening to national radio, there is no downward trend. There is more choice in the marketplace, so people are tuning into different radio stations because they want to hear, for example, a country, classical or rock music station. Within that underlying macro trend, stations in Scotland are, in general, much as they were 10 years ago. There has been no significant change to the audience from any further networking that we have done over that time.

Jamie Greene: It will be a worry to Bauer if the changes to regulation and the structure of your output result in a fall in audience numbers, which would mean a fall in advertising revenue. If you felt that the changes were having a negative effect on the network output, would you seek to redress that and perhaps reinstate some of the local content?

Graham Bryce: Absolutely—and we have done that. I will give you some examples.

Some members might remember that, a few years ago, in a trial to see whether UK-wide content would work on our network, we brought a Sunday morning show from England into our network in Scotland. We felt, however, that it was not working and that the listeners were not loving it as much as they did the Scottish content, so we reversed the decision. We brought that slot back to Scotland and put in a Scottish show.

Similarly, in the past few months, we have decided to take more content across our stations in Scotland back to Scotland. We had a couple of network shows from England on Friday and Saturday nights, but we felt that the ratings were not as high as they could be, so we have taken those slots back to Scotland.

We are constantly flexing the local and network content based on what we think the listeners will want and how we can maximise ratings. We are constantly making such decisions. If we thought that we would get a bigger audience today by broadcasting all our stations 24/7 from the stations' locality, we would do that, because it would make commercial sense. We just do not believe that, however, because we have done enough research and we see how the audience moves with its feet. We think that we have the balance about right: audience numbers prove that.

Jamie Greene: That is interesting.

I will ask about regulation. You talked about going where the audiences are. Audiences are shifting to new forms of listening and new platforms, via new devices and consolidated streaming apps. Those platforms are regulated in different ways. Bauer has a broadcast licence for FM, digital television and DAB. That is a highly regulated market, but anyone can set up an online radio station. In the past hour, I have set one up on a well-known streaming service. It is not broadcasting anything, but if I were to press the button, it easily could. I could say anything on it or, within music licensing limitations, play anything. That is a highly unregulated market. The deregulatory changes were necessary because, in the past, commercial radio was, perhaps, overregulated. Do you worry that technology has moved much further and faster than the regulatory environment in which it operates?

Peter Davies: That is true. As I said earlier, we are on a long-term transition. As the witnesses from Ofcom said, the last time the regulations were changed was 10 years ago. In making our argument for deregulation, we had to think about the next 10 years and what they might bring. In 10 years, FM might account for only 5 per cent of all listening but still be highly regulated, whereas we might still be in the wild west with everything on the internet. In some ways, that is a threat to us, but we also see it as an opportunity, because it means that we can launch lots of different types of radio stations. We just have to change our approach in order to maximise audiences on the different platforms.

The reason for arguing for deregulation is that if, as I said, in 10 years only five per cent of the audience is listening on FM, and FM is still highly regulated, there will come a point at which the amount of regulation will mean that it is no longer worth our while to broadcast on it, because it would be unviable. If regulation is reduced now, we can adapt gradually over the next 10 years to try to maintain services viably on FM for as long as possible. It is about having flexibility to ensure that we can continue to serve audiences in the best possible way.

10:45

Graham Bryce: One of the reasons why the radio industry is in such good health at the moment is the explosion of choice for listeners. In most markets, users of digital radio have a choice of at least 100 radio stations, and they are making active choices. As you have pointed out, there is choice online—there are streaming services and everything else. Audio, as an industry, is vibrant, which is good. That represents more competition, more opportunities and more places where people can set up radio stations and launch new services. The consumers are loving that, and we welcome that. It is a great place to be.

Jamie Greene: I thoroughly recommend MSP FM. It is a great station—my playlist is super.

Mr Findlay, perhaps you can tie in your answer to that question with an answer to my next question, which is specifically for you. Obviously, your model is different. You are looking at local stations, many of which are struggling and are working in a micro environment, with local ad sales, localised content, local DJs and so on. Do you think that we still have a rather romantic view of radio in the sense that we feel that we have to protect and preserve those stations, while Global Radio, Bauer and the other big boys have nailed the networking approach and are managing to have networked output, using new technology, as well as localised content in the places where the audience wants it and at the times when the audience wants it? Do you think that your extremely localised approach to saving local radio stations can survive?

Adam Findlay: Some people are wedded to a romantic approach to commercial radio, but I am not one of them. It is the only model that I am able to apply, because I have not been afforded the same expansion opportunities across Scotland as others have. Therefore, we must ensure that our offering represents a difference to the massive networked, music-led, genre-led stations that appear on those platforms where there is a lot of choice, which Graham Bryce and Peter Davies have just mentioned. We are not in that market. We cannot afford to be in that market, because the DAB carriage is too expensive for us. We do not own the multiplex. Bauer owns many of its own multiplexes and can afford to do that, but, because of the pricing structure, we are not afforded the same opportunity on DAB, and Ofcom has not afforded us the same opportunity to expand on FM.

Where do we go? That is the heart of the debate. That is why we are sitting here today, asking why we are feeling that there is suddenly an absence of localness.

Jamie Greene: So, it is a matter of the broadcast costs.

Adam Findlay: It is a matter of the broadcast costs—particularly the DAB costs—and the lack of expansion on FM to commercial operators, including Bauer and Global, which have also not been afforded the same opportunities to expand. Bauer applied for the Glasgow licence that was talked about earlier, which was granted to Nation Radio. That was an appalling decision by Ofcom, and we and Bauer expressed serious concerns about how that licence was awarded—it did not even get to air before it was sold. That was highly predictable. I have a letter that was written to Ofcom that says, "Wow, that was a big surprise." Everybody was surprised by it. Most people thought that the winning applicant had by far the weakest application and the weakest model, and the licence did not even get to air before it was sold. Ofcom is not best placed to make the best decisions about the future of Scottish commercial radio. That is why we are sitting here today, feeling this sense of loss, absence and a lack of opportunity to expand in commercial radio. That is a fact.

Annabelle Ewing: Would you say that Ofcom has outgrown its usefulness?

Adam Findlay: I would not say that, because, as has been alluded to in this meeting, a large number of digital disruptors are arriving in our markets. Bauer, Global and ourselves are commercial businesses that pay taxes, make profits, employ people and contribute plenty to the local economy, and a degree of protection is still required across all radio operators.

The problem that I have had is that I have not been afforded the same protection as everybody else. I do not have the same relationship with Ofcom as the other big players enjoy. There are numerous examples of operations like mine up and down the UK, and we have not been afforded the same opportunity to expand and grow our businesses as we believe we could. I believe that we could populate Inverness, Moray, Edinburgh, and Dundee. Edinburgh probably has the capacity for two or three new licences, but we have not been afforded those opportunities. Meanwhile, the larger groups have been given a huge opportunity to expand in DAB at a rate of knots. I do not necessarily think that that is wrong; why I have not been afforded the same opportunities is what is wrong. That is the unfairness that I am talking about.

Annabelle Ewing: I hear what you are saying loud and clear. It is not easy to see the current structure, and, because of Ofcom's approach to this committee, for which it had to apologise publicly this morning, it is difficult to see how we can ensure that Ofcom takes its role in Scotland more seriously and understands what is going on in Scotland. We will reflect on the evidence that we have received this morning.

I will turn to a broader issue and look to involve the other witnesses. You have all stressed that you provide what your listeners want, which is fair enough. You have commercial stations, so you have to get your advertising right and so on. As a matter of curiosity, how do you gauge what your listeners want? I presume that you do not adopt the Ofcom approach of asking 13 people in Falkirk and Inverness, but I do not know.

Graham Bryce: We produce quite robust research studies on a quarterly basis, and there are two different types. One is music research—somebody spoke earlier about our playlist decisions. We research music in Scotland so that, although a playlist decision might be taken across the network as a whole, Scottish voices are a major contributor. Their tastes and interests are taken into account. We also conduct straight audience research by asking our listeners what range of stations they like, why they like them, what presenters they like, whether radio is getting better or worse, whether they like the particular shows, and so on. We conduct continuous and extensive research on all of that. It is our lifeblood. If we get the content decisions wrong and our listenership goes down, that is a bad commercial place to be. The research is at the core of what we do.

Annabelle Ewing: Have the changes to breakfast shows and so forth engendered any particular reaction?

Graham Bryce: Do you mean what Global Radio has announced?

Annabelle Ewing: Yes.

Graham Bryce: There has been some reaction from those particular listeners, but, whenever you make a change in radio, whatever that change is, listeners do not like it. It does not matter what that change is, because the great thing about radio is that people are really passionate about it. People have a real affection and passion for their local radio station—or for their national radio stations, for that matter. If you make any changes, whatever they are, there will always be a sense of loss among people who passionately loved what you had before.

There has been some reaction from listeners to those changes, but we will have to wait and see what happens. If the listeners do not like the content that is being produced now, they will not listen to the radio station and that will show in the audience numbers. Only time will tell whether that was the right decision for Global Radio.

Stuart McMillan: Ofcom said that it last looked at regulation 10 years ago. Do you think that, if there is going to be regulatory change, it should be considered every five years so that it keeps as up to date as possible with the current climate?

Adam Findlay: Scotland was significantly disadvantaged by the most recent relaxation of the rules because Scotland was not a defined area. Even back then, Scotland was being disadvantaged in that deregulation framework, which was centred around defining areas and allowing stations to enjoy certain economies of scale. Scotland was not one of those areas, so it was being disadvantaged 10 years ago. I know that some members of the committee have opposing views on this, but it was about to be disadvantaged again. Bauer and ourselves made submissions about the widest possible level of deregulation that should be afforded to us both, and we strongly believe in that. D C Thomson certainly believes that it should be balanced with the continued expansion and roll-out of FM commercial radio. I have said that on a number of occasions.

As far as future deregulation is concerned, the deregulation thus far has been fairly wide sweeping and Global Radio has already decided how it wants to take advantage of that, which is its prerogative. Its approach is fairly radical. Its business model could not be further away from D C Thomson's business model for newspapers—whether in print or digital—and, now, broadcasting. We will continue to support deregulation whenever the opportunity to do so comes around, but, in the meantime, we will continue to ply our local radio philosophy, as that is how we generate local audiences, establish connectivity with local advertisers and create career paths for future presenters, whose opportunities have just been significantly diminished.

D C Thomson has come to Scottish commercial radio with a huge appetite to contribute to, add diversity to and enrich the broadcasting landscape. I ask only that those who are listening afford everybody, including Bauer and Global, the opportunity to continue to expand on all platforms, not just one.

Peter Davies: The pace of change is accelerating, so I hope that it will not be another 10 years before Ofcom has another look at the issue. As the convener said at the outset, following its consultation in 2017, the DCMS announced that it intended to introduce legislation. Let us hope that there is a good, robust debate when that legislation is introduced. That could happen in 2021, but who knows?

I hope that Ofcom will keep the issue under constant review and make any changes to regulation that are needed—for instance, new regulation on DAB could be introduced if that is seen as the best way to protect localness.

Stuart McMillan: Would you like to comment, Mr Bryce?

Graham Bryce: Peter Davies is speaking on behalf of Bauer, and I agree with what he said. The pace of change is fast. The more often we can review the regulatory framework to adapt it to the current environment, the better.

Stuart McMillan: That is an interesting point. Usually, people ask for certainty and stability in regulation, but you are arguing for the opposite because of the pace of change.

Graham Bryce: That is principally because the direction of travel is towards deregulation. We have long argued that radio has been overregulated, and history shows that that is true. Over time, we are seeing some deregulation, but we would always vote for more deregulation, as would Adam Findlay at D C Thomson. We still think that radio has too onerous a regulatory environment, especially when we are competing against people who are completely unregulated. That is the force that we are playing with.

Stuart McMillan: Notwithstanding those points, are there any other forms of support that the industry needs?

Adam Findlay: We need the opportunity to expand further on FM, and there needs to be a more meaningful and clear commercial path to a DAB future for stations such as Shetland Islands Broadcasting Company, which might have virtually no future in DAB.

Small-scale DAB, which was cited by the first panel, is not a solution for commercial radio. As well as not being economical and being too small, it will present many of the same challenges that small-scale FM has suffered from in the past 20 years. Ofcom seems to hail small-scale DAB as some sort of silver bullet that will fill the gap between community radio and commercial operators and lead to a DAB future, but, like many of Ofcom's policies, that policy is fundamentally wrong for Scotland.

All operators need to be afforded the same expansion opportunities on FM that community radio has enjoyed, and there needs to be a massive rethink of the DAB pricing and access structure if Scotland is to play its part in a bigger DAB future. As things currently stand, the DAB structure will not work unless you are part of one of the two larger radio groups.

Peter Davies: There is also a question about the long term—or possibly the medium term—when the vast majority of listening will be to IP-delivered services, over the internet. We are concerned that, if that is the case, there will be no protection to ensure that UK broadcasters—whether TV or radio—have proper access to those services.

11:00

If those platforms—I am thinking particularly of 5G—end up being controlled by the likes of Google, Apple or the mobile phone operators, which do not have any interest at all in the content that is being broadcast, we could be, in effect, closed out of those platforms or at least charged exorbitant rates to use them.

As part of the review that the DCMS has announced, we will be looking for the UK Government to think about ways in which it might protect the access of UK broadcasters to those platforms in the future, in the interests of UK and Scottish cultural diversity.

Neil Findlay: I have a question for Mr Findlay—a fine name, of course. It seems that you are saying that you want to see deregulation and competition. Do deregulation and competition drive quality and success—ultimately, business success—for you?

Adam Findlay: I think that they drive quality and business success for everybody. They also offer choice locally, which is at risk because of the lack of expansion on FM, in particular. They would also ensure that the larger operators would not be so keen to vacate local markets—when they enjoy a virtually monopolistic situation and there is no local alternative anyway, what is the incentive for them to stay in the market and deliver a local radio station?

Neil Findlay: You say that deregulation and competition across different platforms drive quality and success. You are also in the newsprint media. What was the circulation of the *Sunday Post* or the *Beano* 10 or 20 years ago? How many copies would you sell?

Adam Findlay: I do not have that information to hand.

Neil Findlay: How many do you sell now?

Adam Findlay: I imagine that we sell less now.

Neil Findlay: Hugely less. Therefore, it does not follow that competition and multimedia platforms drive success or, I would argue, quality. On US TV, there are zillions of channels, most of them crap, in my opinion, and most of them spewing out rubbish. I do not understand the argument that, if we liberalise everything and have a free-for-all, that will drive success and drive up quality and the future will be bright.

Adam Findlay: I understand and acknowledge that. With the newspaper sector and the print sector, parallel to that point about content, quality and drive, there has been a fundamental change in consumer activity across the piece. The D C Thomson titles have enjoyed higher circulations than the rest of the UK sector. In other words, everybody in the print sector is seeing a decline in numbers, but D C Thomson is faring the best in Scotland in that fight. That is because of the quality of the content and the connectivity that it has to its readers—and its listeners, if we throw radio into the mix.

The underpinning failure for the print industry has been the lack of speed with which it has adapted to the new growth platforms. Conversely—and Graham Bryce and Peter Davies are right about this—radio has made that journey quite successfully. Internet, digital and app listening has not been the enemy of radio; it has been the friend of radio. It has created more access channels and more access points for people to enjoy their favourite radio station. I would just like them to have more local radio stations.

Peter Davies is also right to say that we need to ensure that there is protection and that we are not thrown under the bus alongside the swamp of internet webcasters who are out in the world. At the end of the day, everybody in this room wants a rich and meaningful cultural landscape for commercial radio and that is what we need to try to protect in all this. There are a couple of items there that will ensure that.

Neil Findlay: The submission from Bauer tells us that listener numbers are down, that people are listening less and that commercial activity from advertising is down as well. Is that not the case?

Graham Bryce: Our submission said that listening to local commercial radio is down, which, as we said earlier, is because of the diversity of choice that people now have. In the old days, 20 years ago, the only radio station that people in Glasgow could listen to was Radio Clyde. Now they can access 70 or 80 radio stations and, inevitably, people are choosing to listen to that great variety of choice, whether classical, country or rock music or speech; a lot of people listen to LBC, talkSPORT, talkRADIO and so on. Clearly, there is a fragmentation of audience among the channels. However, in totality, radio has as many listeners now—in terms of access, numbers, and hours listened to—as it did 20 years ago. However, people are listening to less local and more national commercial radio.

Adam Findlay: Where there is a local choice, that is not necessarily the case. In Aberdeen, for example, Original 106 FM has just posted record high audience figures—it is 100 per cent local and not on DAB.

Graham Bryce is right that, where there is only one local station and no choice and a plethora of new DAB genre stations are coming in, diversification is under way . However, where there is a choice of local radio alternatives, it does not always play out that way. Original 106 FM posted a record audience figure yesterday.

Neil Findlay: Ultimately, we all want to go the same way as Mr Greene and have our individual radio stations—we would all be quite happy and nobody would make any money.

Jamie Greene: Give it time, Neil.

Neil Findlay: You will not be making any money, that is for sure.

Kenneth Gibson: Frankly, the more I listen to today's evidence session, the more I wish that we had taken evidence from this panel first, and from Ofcom second. If we have a similar session in the future, I hope that that is the way we will do it. A lot of questions have been generated from the evidence that this panel has given, particularly on the direct contrast between what has been said about DAB and FM.

For example, I have been getting the sneaking suspicion that Mr Findlay favours FM over DAB. I do not know how that has crept in this morning, but it seems to have done so. I have real concerns about what you are saying, particularly given that the evidence session with Ofcom was certainly fairly defensive—"hostile" is perhaps not the right word—compared to the more open evidence session with this panel.

The representatives from Ofcom talked about DAB and the plethora of interest. However, although they said that it could happen, they were incapable of explaining the innovative and creative ways in which it would be funded and no examples were given. They also said that there was a clear future for commercial radio through DAB, yet you talked specifically about how the Shetland Islands Broadcasting Company—which is obviously of great interest to Mr Scott—would struggle with that.

How can Ofcom change things so that FM is not overregulated relative to DAB, so that we get a balance that supports you and other local commercial radio stations to grow and thrive?

Adam Findlay: There are two answers to that. First, we need to continue the roll-out of DAB across the whole of Scotland, so that no community or rural area is left disadvantaged by not having access to DAB, as there are a number of areas across Scotland where DAB cannot be heard at all.

Secondly, the pricing mechanism of DAB carriage must be proportionate to what the radio station can afford, and not one size fits all. Where there is a community or a small local commercial station—wherever it might be—the pricing for DAB access must be in some way proportionate to what it can afford. That is not currently the pricing model of DAB in Scotland or anywhere else in the UK. I would advocate that those two fundamental issues could significantly change our journey towards a bigger DAB future.

Kenneth Gibson: Yes but, at the same time, you are saying that that DAB future should not be at the expense of FM.

Adam Findlay: Correct.

Kenneth Gibson: I listen only to FM, so I am completely in support of your point of view; I do not want FM to be weakened.

At the beginning of your evidence, you talked about RAJAR, and my take is that RAJAR seems to be heavily biased towards DAB. Would I be wrong to say that your view is that Ofcom is trying to create a stampede towards DAB and that listeners will not really have much choice other than DAB? Peter Davies mentioned that only 17 per cent of radio stations would be on FM in a few years. At the moment, the figure for Scotland is 48 per cent, so that would be a drastic reduction. How does the panel feel about that?

Adam Findlay: My experience is that Ofcom, over the past 10 years, has pursued all policies that lead to a DAB future. That is evidenced through the lack of FM licensing and the continued roll-out of DAB across the UK. Ofcom has been wedded to a policy of a future DAB—

Kenneth Gibson: I am sorry to interject, but what is Ofcom's motivation for that approach?

Adam Findlay: At the heart of it, which lay at the very beginning of the journey 20 years ago, is the belief that we need more choice in commercial radio across the UK and DAB technology affords the opportunity to have more stations while using less bandwidth.

The genuine motivation way back in the day was to drive choice. However, the frustrating part of that 20-year journey—a number of people in the room have picked this up—is that DAB has not enjoyed the success that we had all hoped for. There has been slow progress, for all sorts of reasons. As was mentioned, that includes the price of DAB radios when they were first launched into the market, the fact that there are black spots and the fact that FM continues to be fitted as standard in 95 per cent of all cars.

In the UK, we have, unfortunately, a body called Digital Radio UK, which is in effect a public relations machine exclusively for DAB. It puts out all sorts of headlines that people grab on to. One of its favourite headlines is that 98 per cent of all car radios come standard with DAB. That is true, but they still have FM.

You are right—there will still be a landscape for both DAB and FM, and we should not be disadvantaging one. As I said, my experience is that Ofcom has been wedded to a future DAB policy, which only recently has begun to flex with the approach that we heard earlier about a multiplatform future. That is new language for Ofcom.

Graham Bryce: I will add some balance to the DAB and FM debate. We truly believe that DAB is not the Betamax of radio and that it is the future broadcast one-to-many platform for the radio industry. There are many ways in which to receive a radio signal, be it 5G, on an app or through wi-fi, but there are only two hugely efficient, robust one-to-many broadcast technologies that you can listen to in any environment—FM/AM analogue and DAB technology. Although FM is a great technology, we truly believe that DAB is not only part of a multiplatform future but the broadcast platform of the future.

Some numbers have been mentioned. The fact is that more than half of listening in the UK to all radio is now digital. For Bauer across the UK, 70 per cent of all listening to our radio services is digital.

Kenneth Gibson: Hold on a second, Mr Bryce. Adam Findlay pointed out that only one FM licence has been awarded in the past 10 years. Surely, if the big push is towards DAB, that increase will be inevitable, although not necessarily due to consumer choice, because consumers do not have as much choice.

If we are to maximise audiences, surely FM should also be allowed to thrive, as well as people just being pushed down Ofcom's road of travel. I will not change my car radio to a DAB radio; I will happily sit with FM as long as it exists.

Graham Bryce: Sure. Peter Davies may be able to explain this better than I can but, across the UK, there is virtually no FM spectrum left. It is not as if there is a load of FM spectrum that could be advertised—there are pockets in Scotland where there are opportunities, but in the UK as a whole there is no FM spectrum left. Peter Davies will be way closer to that issue than I am.

Peter Davies: As Graham Bryce said, there are pockets where FM frequency is available. In Glasgow for example, you can fit 50, 60 or even 70 stations on DAB, but there is no way that you would ever fit that number of stations on to FM. The amount of choice that is potentially available on DAB is far greater. That is where we, as a commercial business, can expand audiences. That does not mean that we do not believe in FM. We still invest in our FM business—we have just bought 46 FM licences in England and Wales. We still believe in FM. We go to where we think the audiences are, so that we can maximise the commercial opportunities.

Kenneth Gibson: I do not think that anyone is suggesting that there could be 50 or 60 FM radio stations in Glasgow—five or six might be okay. Edinburgh has only one, so one would have thought that there is still room for FM growth.

Graham Bryce: It is not true that Edinburgh has only one. It has Capital Scotland, Heart Scotland and Radio Forth, so there are three commercial licences. They may not be local in that they are not just for Edinburgh, but there are local FM licences in that marketplace.

Adam Findlay: That is an interesting description of "local".

The Convener: I thank those on our second panel for coming today.

11:16

Meeting continued in private until 11:26.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@parliament.scot

The Scottish Parliament
Pàrlamaid na h-Alba