

Introduction to radio in Wales

1. Radio plays a very important role in Wales and is highly valued by listeners. In 2017, Ofcom reported that a higher proportion of people in Wales listen to radio than in the UK overall, and for the 12 months to Q1 2017, radio reached 91.6% of the adult population in Wales which was the highest reach of any UK nation¹.
2. Listeners in Wales benefit from a mixture of radio sources with a growing choice of national and local commercial stations due to the efforts made to expand the digital audio broadcasting (DAB) networks. In addition to the UK-wide services on analogue and digital, Wales has access to 20 local analogue commercial stations which are licensed and broadcast in Wales, the three BBC services (BBC Radio Wales which broadcasts in English, and BBC Radio Cymru and the new BBC Radio Cymru 2 which broadcast in Welsh), in addition to nine community radio services.
3. There are four commercial radio companies which currently operate in Wales: Communicorp, Global, Nation Broadcasting and Wireless Group.

¹Ofcom. The Communications Market Report (CMR): Wales (radio and audio). 2017.

BBC Radio

4. The current BBC Charter sets out clear objectives for the BBC to continue to invest in high quality radio services both nationally and for Wales. The main change is the new requirement on the BBC to ensure a distinctive range of services not provided elsewhere and a very important aspect of this is the BBC's national services for Wales, BBC Radio Wales and BBC Radio Cymru. Underpinning this are new governance arrangements overseen by Ofcom which provided a stronger assurance for the BBC's performance against its objectives. The government welcomes the BBC's recent decision to invest in local news and to develop the Radio Cymru 2 service.

5. The BBC Agreement also set out provision for a new contestable fund to support public service content in underserved genres. The government is working with radio industry bodies to develop a scheme to support radio under the Contestable Fund and will be publishing further details later this year.

Deregulation of commercial radio

6. The government believes the current structure of commercial radio regulation is no longer fit for purpose. The current legislative structure was designed for AM and FM radio services in the late 1980s and is therefore out of date and burdensome as the industry has evolved with changing listener habits and the development of new technologies, such as digital and online radio, and on-demand services such as TuneIn, Spotify and Apple Music. In contrast to analogue radio services, digital radio has relatively few requirements in place.

7. Since 2003 Ofcom has made use of the flexibilities granted by Parliament to enable it to streamline the regulatory burdens on commercial radio. They have done this by standardising formats, relaxing requirements on music

formats and by implementing the changes provided under the Digital Economy Act 2010 to allow local stations more flexibility to share premises and network content. These particular changes were introduced to support the viability of local commercial radio stations by allowing local commercial radio groups to co-locate production facilities, network more content and reduce their fixed costs. However, the 2010 changes left in place the majority of the regulatory requirements on commercial radio particularly in terms of music formats and local production.

8. The UK commercial radio sector faces a number of important challenges over the coming decade, from the growth and proliferations of new ways of consuming audio content and not least the challenge from online services, along with the need to invest in new content services and in accessing new platforms to maintain its audiences.
9. Following preliminary work by Ofcom, the government launched a major consultation outlining proposals to deregulate commercial radio licensing on 13 February 2017. The consultation ran for 12 weeks and closed on 8 May 2017. A total of 67 responses were received from a wide range of respondents, including service providers in Wales, academics, members of the public and the Ofcom Advisory Committee for Wales.
10. Overall, respondents were in favour of the proposals to deregulate the commercial radio sector. The consultation covered a number of key areas, such as the removal of music formats, the role of news and information services on radio and how to secure this on digital, the licensing of international radio stations on digital radio, local production requirements, flexible licence periods in light of a potential switchover to digital, simulcasting requirements and allocating vacant spectrum to community radio services.

11. Respondents were generally supportive that Ofcom's current statutory role to ensure a range of choice of national and local radio services should be removed. There was a consensus that with the selection of services on FM, digital, online and on-demand services, there is no need for Ofcom to dictate what music stations should be able to play. There was some concern that areas outside of cities (particularly in the nations) may suffer from less choice if services were to change their format to serve mainstream audiences, however we do not expect this to happen. Stations will be able to experiment with music and better respond to the needs of their listeners.
12. Great care was taken to consider how the proposals would affect the nations. The consultation considered whether Ofcom should be given the power to set enhanced requirements for the nations in terms of news and information requirements and local production requirements, given that commercial radio plays a different and arguably more important role in Scotland, Wales and Northern Ireland where the BBC operates services at the level of each nation rather than the mainly county sized local radio services in England.
13. The majority of respondents argued that the same arrangements should apply to all parts of the UK and that applying enhanced requirements would unfairly penalise service providers from within those nations. It was agreed that giving such a power to Ofcom may disadvantage local stations in the nations and that a better approach is for Ofcom to have regard to the needs of all UK audiences in setting the requirements on a UK basis.
14. There are areas of the consultation in which further work needs to be undertaken as there was no consensus from respondents. In terms of deregulating the commercial radio sector, the next step is for DCMS to begin the detailed work to develop the new legislative structure and to bring forward legislation prior to analogue licenses coming up for renewal in 2022.

Legislation will be brought forward when Parliamentary time allows. The government will work to ensure that the nations are taken into account when preparing new legislation.

Community radio

15. There are currently nine community radio stations on-air in Wales, each offering valuable services to their local communities. Community radio differs to commercial radio and the BBC radio services, as they are local services covering a small geographical area and are not-for-profit. They cater for the local area and many focus on particular ethnic groups and interests. Ofcom is responsible for issuing the licences for community radio services.

16. Community radio stations provide valuable services to the local areas that they serve, and many of the community stations in Wales offer Welsh language programming. For example, Calon FM, a community radio station which broadcasts primarily to Wrexham, offers weekly programmes in Welsh. Although community radio stations in Wales serve their local areas well, the take up community radio licences in Wales is less in comparison to other nations. This could be for a number of reasons, such as lack of willing volunteers to run the stations.

17. Community stations are eligible to apply for a grant from the Community Radio Fund which is funded by DCMS and run by Ofcom. The fund gives grants to help the core costs of running Ofcom licensed community radio stations, such as management, fundraising to support the station, administration, financial management, community outreach or volunteer organisation. The government increased the fund to £400,000 per year in the last spending review. Community radio stations are also able to access other grant income including from the national lottery. However,

Ofcom's latest analysis² suggests there has been a decline in other grant funding available for community radio, with stations relying more on volunteers and self generated funding, which to a greater extent has been assisted by the changes introduced by DCMS in 2015 to increase the amount of advertising community radio stations can take.

18. The government will be looking at the role new small scale DAB radio multiplexes may have in creating new opportunities for developing the community radio sector in Wales.

Digital radio

19. Digital radio services are available through DAB, television and the internet. Listeners in Wales and other parts of the UK therefore have a range of options for receiving digital radio, each with different features and considerations. In the UK, free to air digital radio broadcasting is transmitted via a number of radio multiplexes across the country³. Terrestrial broadcast DAB has the benefit to listeners of being free to receive and portable as well as offering more choice, no re-tuning and extra information on broadcasts. Thanks to recent improvements in DAB network coverage 92% of homes in Wales are able to receive BBC national DAB services and 86% are able to receive digital stations carried on local DAB multiplexes. Overall 96% of homes in Wales⁴ have TV which give them the ability to listen to digital radio and 79%⁵ have a broadband connection providing access to digital radio via the internet.

² Ofcom. The Communications Market Report (CMR): United Kingdom. 2017.

³ A radio multiplex consists of a number of DAB radio stations bundled together to be transmitted digitally in a given geographic area, currently either nationally or on a county level.

⁴ Ofcom. The Communications Market Report (CMR): Wales (radio and audio). 2017.

⁵ Ofcom. The Communications Market Report (CMR): Wales (radio and audio). 2017.

20. The government has a long term objective to support a listener led transition to digital radio. In December 2013, DCMS ministers set out the long term plans for the development of digital radio and announced a package of measures on coverage, content, consumers and cars to promote digital radio and provide listeners with greater choice.
21. The take up of digital radio by listeners in Wales continues to grow steadily year on year. Industry data indicates that almost six in ten adults (58%) in Wales own a digital DAB radio set at home and almost two fifths (39%) all radio listening in Wales is through digital platforms⁶. The radio industry expects the long term shift to digital will continue.
22. Broadcasters have used the extra capacity offered by digital radio to launch new stations broadening the range of speech and music programming available listeners. DCMS supported the decision by Ofcom to award the licence and the radio industry to launch a second national commercial multiplex, which commenced broadcasting in March 2016. This development more than doubled the number of national commercial stations available on DAB. According to Ofcom, there are now 73 stations broadcasting on DAB in Wales⁷, although not all are currently accessible in all parts of Wales. This consists of 13 from the BBC, 30 stations on the two national commercial multiplexes and 30 commercial stations on local DAB multiplexes.
23. The car accounts for around a fifth of all radio listening. Partnership work between the radio industry and vehicle manufacturers means that most

⁶ Ofcom. The Communications Market Report (CMR): Wales (radio and audio). 2017. See figures for Q1 2017.

⁷ Ofcom. The Communications Market Report (CMR): Wales (radio and audio). 2017.

new cars sold (88.8%⁸) now have digital radios fitted as standard; a marked shift from 2010 when it was under 5%.

Coverage

24. The topography of Wales has always presented challenges in terms of both analogue and digital radio coverage. The government recognises the importance of listeners being able to access their favourite radio stations on digital. Working closely with the BBC and commercial broadcasters, significant progress has been made to improve national and local digital radio coverage in Wales since 2013. The improvements in local DAB coverage, which carries BBC Radio Wales and BBC Radio Cymru in Wales was supported by DCMS providing £7.3million in one off capital funding to extend or improve coverage at 221 local DAB sites across the UK, including 20 sites in Wales.
25. The programme of work was delivered by communications infrastructure company, Arqiva, and started in early 2015 with the final site – a new transmitter at Fishguard serving the Mid & West Wales local multiplex – being completed at the end of March 2018. With respect to this programme, Wales accounts for 4.7% of UK population and has received a higher proportion – 7.7% – of the total DCMS capital funding allocated to support local DAB network expansion.
26. Ofcom is responsible for planning digital radio coverage and worked with the radio industry to develop a plan for the local DAB network expansion to determine the most technically efficient way of matching DAB coverage levels to FM. According to Ofcom, as a result of the investment in

⁸ CAP/SMMT Data Q4 2017.

the programme, local DAB network coverage in Wales is expected to have increased from 63% of homes at the end of 2013 to 86%⁹ on completion.

27. In 2014 Ofcom published detailed maps outlining the predicted improvements to local DAB network coverage for the local digital radio multiplex areas in Wales (Swansea, South East Wales, Mid & West Wales, North East Wales and West Cheshire and North West Wales) at <http://stakeholders.ofcom.org.uk/broadcasting/radio/coverage/dab-coverage-plans/>. Ofcom have indicated that following completion of the local DAB expansion programme they will review improvements to coverage against the original plan and publish updated versions of the maps later in 2018.
28. Separately under its phase 4 expansion plan the BBC has built out its national DAB digital radio network (carrying BBC national radio services including those only available digitally) to a further 163 transmitter sites across the UK. The final site in this programme was completed in December 2017. According to the BBC, this programme has increased the coverage of its national DAB network in Wales from 86% to 92% of homes.
29. There remain commercial and technical challenges to further improvements in digital radio coverage. DCMS notes that agreement between the BBC, commercial radio and the UK government will be needed on a plan for further improvements to the DAB networks to match FM coverage as part of any future decisions about a radio switchover.

⁹ The plan been refined and actual coverage may differ slightly from those figures when Ofcom reviews it following completion of the expansion programme.

Conclusion

30. Overall for the UK the latest industry data (RAJAR¹⁰ Q4 2017) shows that digital's share of all radio listening is 49.9%, up from 45.2% in Q4 2016. The radio industry expects the long term shift in listening from analogue to digital will continue and that digital's share will exceed 50% later in 2018. The UK government has stated it will review the position on digital radio once the 50% share of listening criterion is met. However, decisions on a switchover are not simple or straightforward and further work is required. A review will examine carefully the progress made on key areas and the overall impact on listeners in Wales. This work will also need to examine the key challenges such as extending DAB coverage in Wales. As part of a review on the future of digital radio we will seek input from stakeholders including the Welsh Government.
31. Community radio in Wales is not as well established in Wales compared to other parts of the UK. We will be looking for ways in which community radio can develop further in Wales and we plan to have a discussion with the Welsh Government about how to take this forward.

¹⁰ Radio Joint Audience Research (RAJAR) is the industry body that provides audience measurement figures.