RadioCentre
SHAPING COMMERCIAL RADIO'S FUTURE

DCMS CONSULTATION ON RENEWAL OF ANALOGUE COMMERCIAL RADIO LICENCES

SUMMARY

1. RadioCentre welcomes this consultation and the focus from Government on the renewal of commercial radio licences. The long-standing policy of granting analogue licence renewals (for FM and AM stations) to commercial radio stations also broadcasting on DAB has been very successful. It has provided an incentive for industry to continue to invest in digital radio content and coverage, and it is crucial this continues.

2. Following the Government's announcement in December 2013 that it remained supportive of the next phase of digital radio development, but was not in a position to commit to a radio switchover or set a timetable, it was clear that this issue would require further attention. Indeed RadioCentre wrote to DCMS to highlight this issue earlier this year (27 March 2014) and has discussed the matter in detail with officials. Therefore it is encouraging that Government seems to accept the need for clarity, and a requirement to act swiftly, in order to ensure stability for the radio industry and avoid unnecessary disruption or confusion for listeners.

3. In summary, we agree that these licences should be extended, but are concerned that a five year period will not be long enough. Given that Government policy remains to support the development of digital radio **we would urge Government to extend these licences for a longer period,** ideally up to point of any possible switchover. If the Government considers that a fixed term is required to facilitate this, it should provide an additional 12 years, in line with the term of analogue-only licences. We have responded to each of the options in detail within this document, but our views on each option are outlined briefly below.

   Option 1: Do nothing – DCMS appears convinced that this should not be the favoured option. We agree. It would risk destabilising the radio industry at a critical time in its development.
   - It would seriously undermine investment and support for digital radio
   - It would cost the radio industry many £millions of pounds just to prepare multiple bids for local and national licences.
   - There is no evidence that this would lead to significant competition benefits.
   - Listeners would suffer as stations and brands went off air.
   - It would create significant difficulties for Ofcom in administering the relicensing process.

   Option 2: Allow a further 5 years – This appears to be the Government's preferred option, but we are concerned that this will not provide a long enough period.
   - This approach would enable continued support and investment in digital radio (at least in the short-term), but only postpones the disruption of large scale re-licensing for a short period.
   - It is a relatively modest reform that retains the basis of the current licensing regime.
   - However, 5 years is unlikely to be a long enough period, particularly if the objective is to rollover these licences up to the point that when Government expects large local or national stations to switchover.

   Option 3: Allow renewal of licences for a longer period (or until a possible industry switchover to digital radio) – We note that DCMS expresses a concern that this option could hypothetically limit competition, but we would support a variation of this approach.
   - A longer extension will provide greater certainty for investors and secure ongoing support for digital radio.

- Furthermore, whatever the period of these licences they could not be described as 'indefinite', as they remain subject to termination at 2 years notice in any case.
- It would also avoid the possibility of having to find further parliamentary time to extend the licences further (perhaps up to a potential switchover point) in less than 5 years' time.
- It is not the case that competition will be 'locked-out'. New entrants have the option to acquire analogue licences, launch DAB services (as more spectrum becomes available and digital listening grows as) or consider the opportunities available online.

BACKGROUND

4. Before examining the policy options in detail, it is important to consider the current state of commercial radio and why it remains a valuable asset, which Government should seek to support with a light-touch regulatory regime and limited intervention in cases of market failure. Specifically it is helpful to consider the current market context and the broader public value of commercial radio.

- **Market context**

5. Overall radio listening in the UK remains remarkably strong (still reaching around 90% of the population in total each week), despite the multitude of alternative media and entertainment services now available to consumers. Commercial radio stations alone reach over 34 million people or 64% of the population each week. However, the way people listen to radio is changing. While the total number of radio listeners remains high, the amount of time spent listening is falling, particularly among younger listeners. In addition digital listening (across DAB, online and digital TV) is growing and now stands at 37.8%.

6. Commercial radio revenues remain under pressure, due to a combination of structural changes in advertising as more revenue shifts online, difficult economic conditions and ongoing regulatory constraints. In 2013 commercial radio revenues were £536.8m (up slightly year-on-year, but down 36% in real terms since the 2003 Communications Act).

7. Advertising revenues are recovering but fragile, with total revenues forecast to increase in 2014. However, the long term the pressure on revenue are forecast to continue. This is partly a result of structural changes, with the rapid expansion in digital advertising often at the expense of traditional media. In addition, the commercial radio sector is facing intense competitive pressures for audience – with a growth in the number of radio stations, pressure from the BBC and the emergence of online music services.

8. Radio has high fixed costs (such as transmission, production and talent), estimated to be around 83% of the total. This means declines in top line revenue drop almost entirely to the bottom line. In addition, commercial radio is being expected to fund significant additional investment in digital radio coverage expansion from 2015 to 2030, alongside the BBC and Government. The total cost of this additional project investment is of the order of £75m, of which Government will fund £7m, the BBC will fund £25m and commercial radio will fund the balance of £43m. This is in addition to all current investment in DAB which will also continue.

- **Public value of commercial radio**

9. Commercial radio has a significant economic and cultural impact on the UK, and has been

proven to make a positive contribution to the energy, happiness and wellbeing of listeners[1]. Commercial stations provide a valuable function in communities, by producing local content and contributing to the plurality fundamental to our democracy, alongside its range of entertainment, music, sport and comedy programming. Information collected from RadioCentre member stations demonstrates the scale and impact of this contribution[2].

10. Overall commercial stations broadcast an average of around 10 hours 21 minutes of public service content each week.

   – Local news – The average commercial station broadcasts more than 300 minutes of news each week (including 180 minutes of local news and 120 minutes of national news), across 19 bulletins a day. This output requires investment of around £27m and the employment of hundreds of broadcast journalists.

   – Local charity initiatives – Commercial radio stations regularly broadcast appeals on behalf of charity and community groups. They also raise around £18 million a year directly for charity, through campaigns such as Global's 'Make Some Noise' appeal, Bauer's 'Cash for Kids' and many more local initiatives.

   – Supporting local economies – Commercial stations play an important economic role both as a local employer and as an affordable source of advertising for local businesses. Radio is an extremely efficient and cost effective form of advertising, both for small and medium sized enterprises. Recent econometric analysis by the RAB found that for every £1 invested in radio it returns £7.70 to advertisers.

   – A platform for new talent – Commercial radio performs a crucial role in discovering and nurturing new talent in both broadcasting and journalism. It is a valuable and widely distributed employer in the creative industries, and provides a fantastic environment in which broadcasting talent can be trained and developed.

   – Building and promoting music – Commercial radio is a key driver of economic growth of other creative industries, particularly the UK music industry (which is worth around £3.8bn). Despite the availability of new services to purchase and access content, radio remains the most powerful promotional tool for music.

POLICY OPTIONS IN DETAIL

11. DCMS is seeking feedback on three different approaches to licence renewal. Due to the legislative background and the constraints of the regulatory process (such as the licensing timetable and the fact that a number of such licences are due to expire relatively soon), these are the main options we would expect to be under consideration at this point.

Option 1 – Do nothing: not to legislate, but instead allow licences to expire and be re-advertised on the usual way by Ofcom

Question 1 – What is the likely impact on the radio sector if legislation is not changed? In particular, what is the likely cost impact of rebidding for licences, the impact on investment in

[1] http://www.rab.co.uk/rab-studies/radio-emotional-multiplier/
[2] http://www.radiocentre.org/files/action_stations_web.pdf

content, and the impact on competition between radio stations and groups?

Question 2 – Do you agree that the disadvantages to the radio industry and to individual stations of not allowing a further renewal period outweigh any potential benefits in requiring stations to rebid for licences? If not, could you set out the benefits of this to radio listeners and the wider radio industry?

12. The first policy option outlined in the consultation document is described as the 'do nothing' option. While it is technically the case that this approach would mean doing nothing, at least as far as the legislation is concerned, it would of course be an active policy decision with very serious consequences for radio listeners and the radio industry. In that sense choosing to adopt this approach would be the opposite of doing nothing. It would actually be the option with the most significant impact.

13. Most obviously it would contradict the longstanding and established policy of successive Governments, which has been to provide an incentive for commercial radio operators to invest in digital radio by granting renewals to their analogue (FM or AM) licence. This policy has been a consistent feature of the legislation governing radio ever since the 1996 Broadcasting Act, with further iterations of the same approach implemented in both the 2003 Communications Act and the 2010 Digital Economy Act. Each of these Acts of Parliament are also consistent in that they grant renewals for both the local and national stations.

14. This approach has been very successful in underpinning a significant level of investment from commercial radio – whether in DAB coverage, new radio station brands, additional content or output – little or none which would have occurred otherwise. The clear indication from the Government, both in its Digital Radio Action Plan and in statements made by the Minister responsible at the end of 2013[3] and during 2014[4], is that it continues to support the expansion of digital radio. Therefore it would be odd to undermine this by effectively removing one of the main pillars supporting this expansion.

15. Removing this incentive would be hugely destabilising for the radio industry, with significant falls in revenue likely due to the inevitable loss of confidence from advertisers and uncertainty in the market. While it fair of the Government to highlight that many commercial radio stations now depend more heavily on the audiences that they have built on digital radio platform, it is a big assumption to state that there is 'little prospect of them moving from the platform' (para 18) should the incentive of analogue licence renewals be removed. On the contrary, it is quite likely that many stations and radio groups would re-assess their digital radio strategy and their support for the DAB platform. This could be intensely damaging for the radio industry and have a significantly negative impact for listeners, who may lose access to stations or services.

16. While such medium and long term developments are difficult to predict, it is also clear that the short term consequence of taking no legislative action would be to impose significant cost burdens on the radio industry. In particular, numerous radio companies would be required to prepare bids, either to retain existing licences or obtain new ones. These costs would include investment in obtaining the necessary consumer and audience research and analysis, legal fees and management time in overseeing and supervising the preparation of any bid documents.

[3] https://www.gov.uk/government/speeches/go-digital-conference-16-december-2013-check-against-delivery
[4] https://www.gov.uk/government/speeches/ed-vaizeys-speech-at-the-radio-festival-2014

17. RadioCentre has not sought to model the detailed costs of a large-scale relicensing exercise that would be necessitated if no legislative action is taken. To develop a robust and detailed model would be quite challenging given the number of assumptions that would be required on a large amount of variable factors. It would involve making hypothetical projections on how many people would bid for each re-advertised licence and how much they would then spend on different elements of their application. To complete this work is challenging (and arguably impossible) and certainly not practical in a four week consultation period. However, we would make a number of observations based on consultation with radio groups and external research companies, as well as some consideration of recent market developments.

18. As far as the number of people applying for re-advertised licences is concerned, it is clear that this would depend very much on the geographical location, coverage and expected profitability of the licence in question. While recent history suggests that many of the FM or AM licences covering smaller towns and cities could go largely uncontested, this is not guaranteed. FM licences in Portsmouth, Coventry, Ceridigion, Warminster, Slough, Windsor & Maidenhead all being subject to a competitive licensing process in recent years[5]. In addition, it should be noted that the 39 new commercial radio licences offered by Ofcom between 2004 and 2010 attracted a combined total of 220 applicants[6] (although this will have included a large number of bids for a relatively small number of regional licences).

19. For the larger licences covering major cities like London, Birmingham, Manchester, Liverpool and Glasgow (as well as the main national licences) it is likely that there would be strong interest, at least from existing radio owners. This is significant, as licences covering all of these areas would start to be re-advertised if no legislative action is taken.

20. The cost of preparing a licence bid in such case would vary significantly, as it is clear that there would be no one-size-fits-all approach. The nature of the licence application would depend very much on the circumstances in question. Nevertheless we can offer some perspective on the range of costs involved and the different elements for a small or medium sized licence bid.

21. The range of figures below have been provided confidentially by a number of operators, then aggregated and verified by the same operators as a fairly accurate reflection of the sorts of costs that would be involved for each applicant. That said, they come with a number of caveats. Clearly each bid is different, with the level of investment made by particular operators varying significantly according to the perceived value and importance of the licence and the extent to which external support is required. Hence the broad range of potential costs quoted for some aspects of this work.

Figure 1: Potential costs incurred in preparing commercial radio licence bid (illustrative)

Element of licence bid	**Potential cost**
Research with existing listeners	£5,000 – £10,000
Analysis of Rajar audience data	£5,000 – £10,000
Market research (assessment of local tastes and interests, evidence of demand)	£15,000 - £50,000+

[5] http://licensing.ofcom.org.uk/radio-broadcast-licensing/analogue-radio/apply-for-licence/re-advertisement/awards/?a=0

[6] http://webarchive.nationalarchives.gov.uk/+/http:/www.culture.gov.uk/images/publications/An_Independent_Review_of_the_Rules_Governing_Local_Content_on_Commercial_Radio.pdf p.27

Local marketing, PR functions	£5,000 – £20,000+
Professional services/ consultants to prepare bid document	£5,000 – £10,000+

22. These figures would indicate that the approximate cost of preparing a licence bid would rarely be less than £30,000 for each applicant, even for the smallest commercial radio licences. This would be extended to nearer £100,000 for the more competitive mid-range licences. Without divulging specific details of recent licence applications, we are relatively confident that this reflects the experience of parties who have prepared such bids in recent years.

23. It should also be noted that our understanding is that the potential complexity, competitiveness and strategic importance of obtaining the larger local licences, means that bids for those licences would incur additional legal and professional fees. In which case such applications would most likely result in a cost to applicants several time greater than the estimates provided above – with the preparation of these bids likely to cost well in excess of £150,000 each. This also excludes the non-refundable application fee payable by all those bidding for a licence. Ofcom's current tariff of application fees for local analogue commercial radio licences is as follows:

Figure 2: Ofcom application fees for local analogue commercial radio

Category	Population	FM	AM
A	4.5m +	£50,000	£14,500
B	1m – 4.5m	£25,000	£8,000
C	400k – 1m	£10,000	£3,500
D	0 – 400k	£5,000	£1,000

24. For the reasons outlined above, it is difficult to devise an aggregated figure for the total cost to the radio industry from initiating this process on such a large scale. However, given the volume of licences that would be up for renewal in the coming years (around 63 local licences, plus the 3 national licences) and the location of many of these, it is easy to see how such an approach would inevitably lead to many millions of pounds of investment leaving the radio industry, principally in order for operators to retain existing assets.

25. This final point is important, because while there may be a theoretical benefit in providing an avenue to introduce greater competition into the radio market through this route (which some might even consider sufficient justification for the costs to the industry), we would also ask Government to reflect on whether this would genuinely be the case.

26. In the 40 year history of commercial radio only a very small number (around 5) of the 294 analogue commercial radio licences now licensed by Ofcom (and previously the Radio Authority) have ever changed hands in this way. Instead contested licences have almost always been awarded back to the incumbent. This approach is not without good reason or objective justification. If an existing operator is clearly providing a popular local service that is meeting its regulatory and statutory requirements, it is difficult to see why the licence would be awarded to another operator without the same successful track record. To do so would unjustifiably penalise the existing operator and potentially disenfranchise listeners, who would lose access to their station of choice, at least in its current form.

27. It is also worth pausing to consider the motives of any potential new entrant to commercial radio at this point in the development of the sector. According to work from Ofcom, most radio businesses are unlikely to break even until at least year five of operation (significantly longer in most cases, depending on the size and efficiency of the operation)[7]. This is due mainly to the level of upfront costs and capital investment required. Given the potential declining value in FM and AM spectrum during the next few years, this may become even more challenging. Therefore the real value for a new entrant bidding successfully for any licence may actually be the short term gain in obtaining an asset that could be sold back to an existing radio operator. Once again this then becomes a further drain on investment and resources in radio.

28. So in summary, RadioCentre agrees with the conclusion reached by DCMS within the consultation document, that there would be significant disadvantages for the radio industry and to individual stations of not allowing a further renewal period. Such an approach would also sit uncomfortably with the support expressed by Government, BBC and commercial radio for the extensive further investment required under the Government sponsored coverage expansion project for local DAB – kicking off in early 2015 and with obligations running till 2030.

29. Crucially, we do not accept that there will be genuine competition gains to benefit listeners. On the contrary all of the indications are that the listener experience will suffer. If stations *do* ultimately change hands following re-advertisement, this could lead to numerous station names and brands either changing beyond recognition or disappearing entirely. This will not be a popular outcome, particularly with the large number of existing listeners, who will no doubt wish to make their feelings known about such changes.

30. Even if this is *not* the case and licences are awarded back to the incumbent, listeners will still potentially lose out, as the focus and resources of the current operator is shifted. Rather than focussing primarily on the quality of their output (along with the development of new digital services, improving coverage or content for listeners), radio operators will be forced to devote time and investment on retaining their analogue licences.

Option 2 – Allow the renewal of licences for a further five year period for licences renewed under s103B and s104AA of the 1990 Broadcasting Act, and twelve years for stations that have not yet been renewed under s103B or s104AA

Question 3 – Do you agree that a five year period of renewal would provide sufficient certainty to licensees about a continued transition to digital, and encourage continued investment?

Question 4 – We would also welcome views on whether all analogue licences should be treated in the same way, or whether the renewal of national licences should be treated differently to local licences.

31. The proposal outlined under Option 2 effectively involves extending licence rollovers from the Digital Economy Act 2010 by a further five years (although, for the reasons outlined below, this is effectively only a 4 year extension, with a further renewal consideration required around year 3). Presumably this would apply equally to local and national licences in the same way as the

[7] http://stakeholders.ofcom.org.uk/binaries/consultations/local-radio-durations/summary/Local_analogue_licence_durations.pdf Annex 5, Commercial Issues

original rollovers, given that this has been the approach in previous Acts of Parliament, and there remains no compelling argument for treating such licences in a different manner.

32. This approach may succeed in postponing or delaying some of the immediate difficulties that would result from taking no legislative action. Specifically, it would mean that commercial radio operators do not need to fund the millions of pounds of investment required to contest broadcast licences during the next 5 years (over and above the significant sums required for digital radio content and coverage). It should also enable the Government to sustain its existing policy of support for the expansion of digital radio, following the Digital Radio Action Plan and Ministerial statements on the matter over the past year.

33. This approach does manage to retain the integrity of the 'beauty parade' system (for local licences) and cash bids (for national licences), should these be required at some point in the future. If these licences were genuinely extended for an indefinite period, it would at least become questionable whether the current regime could be retained, or whether an alternative method of allocating licences would be required. This debate may require further discussion in the coming years in any case, but such a fundamental reform of the way in that radio licences are allocated is unlikely to be considered an appropriate matter to be addressed as part of a Legislative Reform Order, given that these instruments are framed so narrowly.

34. However, given the need to secure industry support for the proposed additional investment in digital radio, and assuming that the aspiration of Government remains to achieve a managed switchover of large local and national services to DAB, the policy of adding a further five years to these licences is unlikely to be sufficient.

35. Projecting the growth of digital radio listening in recent years has been notoriously difficult, and is unlikely to get much easier in the coming years. However, the one thing that most stakeholders will agree on is that this growth has been slower than predicted. In the past Ofcom made a number of projections that digital radio listening would be well over 80% by 2015[8]. More recently, the Government's own Digital Britain Final Report in 2010 predicted that even organic growth (with no major intervention or marketing effort) would see digital listening exceed 50% by 2015. In reality we know that current digital listening is growing at a steady rate and is currently 37.8%.

36. As noted above, making no changes to the current legislation would slow down this growth even further, as commercial operators shifted their investment, time and strategy to ensure the retention of their FM (or AM) licences. However, given the history of digital radio listening, which has shown continued but unspectacular growth in recent years, it is also legitimate to ask whether a five year period is long enough.

37. In this context it should be noted that while the 'expiry date' of a licence is its legal end-point, Ofcom actually requires licences to be renewed before the 'relevant date' 12 months earlier. This is in order to allow sufficient time for a licence to be re-advertised, awarded and launched if the incumbent does not wish to continue offering the service. The impact of this in practice is that licences are actually renewed more than a year before the expiry. Therefore a 5 year extension to a licence due to expire from 2018 would probably start in 2017, and be re-advertised again in 2020 (ahead of a relevant date of 2021). More information is available on this process on the Ofcom website[9].

[8] http://stakeholders.ofcom.org.uk/binaries/consultations/futureradio/summary/future.pdf, p35
[9] http://licensing.ofcom.org.uk/radio-broadcast-licensing/analogue-radio/amend-licence/renewal-procedure

38. Even the Government's most optimistic predictions suggest that this would be the *earliest* point at which any switchover could happen. Therefore, in reality this approach may just postpone a further discussion regarding radio licence terms until that point. Having to debate these issues again, and potentially find further parliamentary time in less than five years' time, would seem to be a rather unsatisfactory outcome, not to mention inefficient and duplicative, for both Government and industry.

Option 3 – Allow the renewal of licences for a longer period of time not specified above

Question 5 – We would welcome views on the advantages and disadvantages to the radio industry and to individual stations of allowing lengthier licence renewals beyond five years.

Question 6 – We would also welcome further views and evidence on the impact of a longer, or indefinite, licence renewal on competition; both on and between different radio stations and groups and potential new entrants to the market.

39. For the reasons outlined above, we believe that the Government should consider the option of allowing licence renewals for a period significantly beyond five years. To be clear, we are not advocating 'indefinite licences'. Indeed, even if these licences had no fixed end date it would not be entirely accurate to describe them as 'indefinite'. This is because of the power retained by the Secretary of State under s.30 of the Digital Economy Act 2010, to terminate these licences with two years notice, at the point that any switchover date is nominated. This power is noted several times within the consultation document, but its significance is perhaps not appreciated fully in the context of the policy options being considered. Indeed, this power would also apply to any licence advertised and re-awarded, thereby reducing the security of tenure for any new licensee.

40. The underlying rationale for continuing to support analogue licence extensions is that this supports investment in digital radio content and coverage. The Minister made clear in his statement in December 2013 (and in a more recent speech to the 2014 Radio Festival) that this remains the Government's long-term objective. Against this background, it would be counter-productive – and given the powers to terminate licences, also unnecessary – to remove this incentive ahead of a possible switchover date being set.

41. Government implies very clearly within the consultation document that it does not believe that taking no legislative action is the right option. If this is the correct approach to ensure investment in and expansion of digital radio now, when the bulk of licences start to expire from 2018 (so would be renewed in 2017), it is inconceivable that it would make sense to do anything other than renew and extend these licences should they start to come up for renewal again from 2021 (if Option 2 is agreed and no switchover decision has been made). At that point, we will have a much greater understanding of whether a switchover is likely and the timescales involved, so will presumably be much closer to a final date. Therefore a larger scale relicensing process at that point would make even less sense than embarking on such a process from 2017, given the relatively short shelf life of those FM licences and the disruption it would cause.

42. We understand that it may be difficult for DCMS to make the case to parliament for rolling licences with no fixed end date (notwithstanding the fact that they are in reality 2 year rolling licences due to the power to terminate the licences once a switchover date is set). As is noted in

the consultation document, to make such a change could be seen as a 'radical change in radio licensing' (para 27) and therefore a matter that may require greater legislative scrutiny. However, we would ask the department to consider whether there are other possible approaches that achieve the desired outcome.

43. The most obvious approach, which we would support, would simply be to extend the licence for a period that is significantly greater than the 5 years proposed under Option 2. This could be for an additional period of 12 years, in order to provide a degree of consistency with the length of term offered if the licence, had it been awarded to the licensee following re-advertisement.

44. We also note that the local digital multiplex licences are having their end dates extended to 2030 as a means of ensuring stability and investment in the digital radio platform. Given that it is the digital services on these multiplexes that enable commercial radio broadcasters to qualify for an analogue licence rollover, there is also a strong argument for synchronising the terms of these licences to remove any outstanding uncertainty. This also avoids the potential issue of licences being renewed prior to the expiry date, thus curtailing the licence period by at least a year on each occasion.

45. If DCMS considers that a longer licence period is unpalatable and difficult to achieve through a Legislative Reform Order of this type, the very least that needs to be achieved is to outline more clearly (perhaps in policy terms if not in strict legislative terms), that the objective remains to continue to rollover these licences up until the point of a potential radio switchover.

COMPETITION CONSIDERATIONS

Question 7 – We would welcome views from across the radio industry and beyond on the impact of any market competition issues resulting from the three options, and views on the impact of options 2 and 3 on commercial stations in smaller markets.

46. Within the main sections of this document, in response to the three options under consideration, we have made several references to the likely impact of the various options on competition issues in the radio market. We are also aware that DCMS have commissioned Value Partners to conduct a more detailed piece of work considering these issues in detail. While the perspective we provide is inevitably somewhat speculative, due to the hypothetical nature of the question, it is also based on a sound understanding of the radio industry and the experience of our members over many years.

47. In summary, we do not believe that Option 1 would lead to a significant increase in competition within the radio industry, or provide any notable benefits for listeners through new entrants into the market. Experience suggests that the vast majority of licences would be awarded back to the incumbents in any case, leading only to cost and disruption at a time when the industry is being asked to invest significant sums in digital radio.

48. Crucially we also believe that the listener experience will suffer under Option 1, whatever the impact on relicensing for individual stations. Should licences be awarded back to the incumbent, operators, they will have had to spend a disproportionate amount of time and investment to hold onto these analogue licences, rather than focussing on content for listeners. Conversely, if some stations do ultimately change hands following re-advertisement, this could lead to station names and brands either changing beyond recognition or disappearing entirely, causing confusion and unwelcome disruption for listeners.

49. We recognise some of the concerns expressed about Option 2 – and particularly in relation to Option 3 – regarding the possibility of excluding new entrants from the radio market by renewing licences for too long. However, the reality is that no potential new entrant is genuinely locked out of the radio and audio market at this point in its development. There have never been so many avenues available to reach audiences – whether that is through local DAB broadcasts, national DAB broadcasts (with the capacity to provide a further 10 such stations coming available shortly through a second national multiplex), station acquisitions or competing for analogue only licences. This is without even taking into account the opportunities that may be of interest to some operators who may wish to broadcast on community radio or provide online radio services.

50. It could be said that some of these routes to market are unlikely to provide a short-cut to large audiences or a successful business model. Instead they will require significant investment in resources, marketing and a compelling content proposition. However, the same is also true for the vast majority of analogue radio licences on FM or AM. Only a very small number of such licences would be likely to generate a significant return on investment in the short or medium term, from what would effectively be a standing start.

ABOUT RADIOCENTRE

51. RadioCentre is the industry body for commercial radio. It represents a range of commercial radio groups and stations from independent, small-scale ventures, to household names serving major metropolitan areas. RadioCentre's member companies operate 276 licensed radio stations across the UK, through 45 different businesses, which represent 90% of commercial radio in terms of listening and revenue.

RadioCentre, December 2014

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