

## RADIOCENTRE RESPONSE TO DCMS FURTHER CONSULTATION ON ANALOGUE COMMERCIAL RADIO LICENCE RENEWALS

### SUMMARY

1. Radiocentre welcomes this further consultation on the renewal of analogue commercial radio licences (for AM and FM stations) and notes the Government's support for the radio industry at this most challenging of times. There is no doubt that the landscape for radio has changed since the launch of the original consultation on this issue in December 2019, with the Covid-19 pandemic now having a huge, and ongoing, impact on the industry and the country as a whole.
2. Therefore it is appropriate to look again at the proposals in the consultation and consider these in the light of this significant change in circumstances. As a result, the Government is seeking views on two additional proposals.
  - *To remove the requirement for stations to provide a service on digital as a condition of any future analogue renewal, including those renewals to which a station is already entitled under the existing legislation ("the digital requirement").*
  - *To allow all analogue licences to be renewed for a further 10 years, in addition to any renewals to which stations may already be entitled.*
3. The proposal to allow the renewal of analogue licences for a further 10 years will be welcomed by the commercial radio industry as a means of minimising cost and disruption associated with the licensing process for analogue commercial radio stations and help provide greater certainty and stability in this aspect of their operation. As stated previously, Radiocentre continues to believe that a 12 year term consistent with the award of re-advertised analogue licences would actually be the most sensible approach.
4. However the proposal to remove the digital requirement is more divisive. Many analogue commercial broadcasters would welcome such a change, but those with significant interests in multiplex businesses and DAB broadcasting are concerned that removing this incentive could have unintended consequences and undermine the viability of DAB at a local level.
5. Either way it is vital that a Legislative Reform Order enacting further licence renewals is introduced without delay. There is now a tight timeframe before the relicensing process is due to commence for the first analogue licences, which means that DCMS will need to lay an Order before parliament in a matter of weeks to enable it to be considered in time and within the 40 days required. Therefore we urge DCMS to act quickly and decisively in order to avoid any further complexity or delay at this point.

### BACKGROUND

6. The current economic shock due to Covid-19 means a significant number of commercial radio stations may not be viable without financial support or significant cost reduction. Confidential feedback from Radiocentre members suggests that around 50-60 radio stations could end up going off air or being sold off in the next few months without some form of intervention.
7. The falls in advertising revenue across the industry are unprecedented. Commercial radio is expecting year-on-year declines of over 50% in Q2 2020, with many local stations reporting significantly greater reductions of up to 80-90% due to their reliance on small local advertisers and

SMEs that have been unable to trade and moved quickly to cancel their campaigns. The latest AA/WARC forecasts for radio advertising revenues as a whole predict slightly smaller declines for the remainder of the year, but revenues are still expected to be down by 21% in total for the 2020 calendar year.

8. Some of the sectors of the economy hardest hit at present are also the biggest radio advertisers (Entertainment & Leisure; Travel & Transport; Retail; Motors). These account for over 40% of total revenues and have withdrawn advertising on a large scale due to the economic restrictions. In the meantime very large fixed costs continue to be due. Transmission (DAB and FM) represent some of the biggest fixed costs for any commercial radio station.
9. Against this background it is vital for any Government initiative or change to take into account the extremely difficult economic environment faced by commercial radio, both now and in the years ahead.

## CONSULTATION QUESTIONS

### ***a) What would be the likely impact of these proposals on you or the organisation you represent?***

10. Further analogue licence renewals are likely to have a positive impact on the commercial radio companies that Radiocentre represents (and ultimately on their listeners) as they will help to minimise the cost and confusion associated with a large scale process of re-advertisement and relicensing.
11. The main concern that we highlighted in our response to the original consultation was that a failure to act or delay (to 'do nothing' as it was described) would cost the radio industry many millions of pounds in direct costs just to prepare multiple bids for local licences and for the auction of national licences. This would ultimately lead to a reduction in available investment and net revenue for commercial radio to the detriment of listeners. Moreover, there is no compelling evidence that proceeding with full scale re-advertising of analogue licences would provide any tangible benefits through increased competition or an improved or expanded range of services.
12. The impact of removing the digital requirement is more uncertain. A number of commercial radio broadcasters with analogue licences may see this as a welcome simplification of the licensing framework, removing a market intervention and leaving decisions on platforms and distribution to the operator. However, some operators – for example those that own operate DAB multiplexes – are concerned that the absence of a licence rollover incentive could have the unintended consequence of weakening support for the DAB platform especially at the local level.

### ***b) Would these proposals help mitigate the impact of Covid-19 on the radio sector?***

13. The impact of Covid-19 on the UK economy is likely to be severe and will be felt for several years to come. For the radio sector it is too early to predict precisely what this will mean ultimately, but it is reasonable to assume that the negative financial effect will most likely be measured in hundreds of millions of pounds (the impact of the latest AA/WARC forecast for 2020 alone would be an annual fall in revenue of almost £150m).
14. Given this difficult background any measures to try and help mitigate the impact are welcome. However, it is also unlikely that any single proposal from Government will be able to address the full scale of the economic crisis facing the radio sector. As we noted in our response to the

consultation the process of relicensing analogue commercial radio stations would cost many millions of pounds due to the expense incurred in preparing and submitting multiple bids for local services, as well as the cost of auctions for national services. Moreover, there would be no obvious benefit to the listener, the radio industry or the Government from running such a process. Acting now to avoid or minimise much of this cost will clearly be helpful.

***c) Is the digital requirement still needed to promote the development of digital radio?***

15. Digital radio is now very well established in the UK. Combined digital listening share now stands at 58.6%, with DAB now the biggest single listening platform for radio (representing 40.2% of this total). There has been an explosion of new services on DAB in recent years. There were 14 national commercial services in 2015 which has risen to 34 in 2019, a 143% increase. Overall there were 425 services on DAB in 2015, which has risen to 492 in 2019. Crucially it is now possible to build a financially viable radio station on DAB, due to the size of the audience, improved coverage and reach of DAB sets in homes and cars.
16. There has also been a growth in the share of IP listening to live radio (a 27% rise year on year) which includes smart speakers such as the Google Home and Amazon Alexa. While this is still a minority of digital listening overall (14%) it is growing at a faster rate than any other platform.
17. Commercial radio operators recognise that they need to be available on the range of platforms that their listeners are using in order to maintain a sufficient audience to sell to advertisers. For the foreseeable future that means being multi-platform – and on FM, DAB and online wherever possible.
18. However, as we have noted already throughout this response there is a strongly held view by a number of operators that the development of digital radio could suffer from the removal of the digital requirement. In particular, there are concerns that the range of services on DAB multiplexes at a local level could reduce as a result of such a change.

***d) Do you agree with the proposal to remove the digital requirement?***

19. For the reasons we have outlined, there is no consensus in the commercial radio sector on whether to remove the digital requirement. Radiocentre did not actively seek the removal of this requirement in our response to the original consultation. At the time we were content to see the ability to renew analogue licences extended to services that were carried on the new small-scale DAB multiplexes, as a way of ensuring that operators of all size were able to benefit from licence renewals. The subsequent economic crisis and the statement by Ofcom on the delayed roll-out of small scale DAB appears to have changed this situation fundamentally in the eyes of DCMS. While this may well be the case, there remain a range of views on its proposed policy response.

***e) Do you agree with the proposal to increase the length of renewals to ten years?***

20. Yes. We are pleased that DCMS has taken arguments into account on licence duration. Its option 1 of 'do nothing' would have been very damaging and costly. Its option 2 of '5 year renewal' would have addressed the immediate issue but meant further legislation, starting is only a few years from now.
21. As Radiocentre outlined in its response the option 3 of '8 year renewal' also risked being too short. For that reason we argued that there was a case to consider whether these licence renewals

should be 12 years, in line with the period granted for analogue stations that awarded licences following re-advertisement, or until the point of any future digital switchover. However, the Government's proposal to increase the planned length of renewals to 10 years is a welcome step in the right direction that will help minimise costs and provide a degree of stability at a challenging time. It is now crucial to prioritise the necessary Legislative Reform Order as a matter of urgency so that the process of implementation can commence as soon as possible.

## **ABOUT RADIOCENTRE**

Radiocentre is the industry body for commercial radio. We work on behalf of more than 50 stakeholders who represent over 90% of commercial radio in terms of listening and revenue. We perform three main functions on behalf of our members:

- Drive industry revenue by promoting the benefits of radio to advertisers and agencies through a combination of marketing activity (e.g. events, advertising, PR, and direct mail), research, and training
- Provide UK commercial radio with a collective voice on issues that affect the way that radio stations operate, working with government, politicians, policy makers and regulators to secure the best environment for growth and development of the medium
- Ensure advertising messages on commercial radio stations comply with the necessary content rules and standards laid out in the BCAP Code of Broadcast Advertising and the Ofcom Broadcasting Code.

[www.radiocentre.org](http://www.radiocentre.org)

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