

*Championing
excellence and diversity
in broadcasting*

Founded in 1983 by Jocelyn Hay CBE



The Old Rectory Business Centre
Springhead Road, Northfleet
Kent, DA11 8HN
Tel: 01474 338716
email: info@vlv.org.uk
VLV: www.vlv.org.uk

**SUBMISSION FROM VOICE OF THE LISTENER & VIEWER TO
DCMS'S CONSULTATION ON THE RENEWAL OF
ANALOGUE COMMERCIAL RADIO LICENCES**

February

2020

INFORMATION ABOUT THE VLV

1. The Voice of the Listener & Viewer Limited (VLV) represents the citizen and consumer interests in broadcasting and speaks for listeners and viewers on the full range of broadcasting issues. It uses its independent expertise to champion quality and diversity in public service broadcasting, to respond to consultations, to produce policy briefings and to conduct research. VLV has no political, commercial or sectarian affiliations and is concerned with the issues, structures, institutions and regulations that underpin the British broadcasting system. VLV supports the principles of public service in broadcasting. It is a charitable company limited by guarantee (registered in England and Wales No 4407712 - Charity No 1152136).

EXECUTIVE SUMMARY

2. VLV believes a relicensing process for analogue commercial radio licences after their expiry in 2022 would be likely to prove expensive and distracting for licence holders. Although competitors might emerge in such a process, VLV believes that those proposing new services would have alternative digital pathways to the market. Ofcom would also face a significant burden if there was a rolling programme of relicensing in the first half of this decade.
3. VLV therefore supports DCMS's view that it would be better to continue with the existing system of licence renewal. VLV believes that five years would be an inadequate amount of time by which to extend licences, as licensees might feel inadequately motivated to invest in the continued transition to digital if they doubted whether they would be able to retain their licences beyond 2027. A lengthier extension – of eight years, to 2030 – therefore seems to be a better idea, to give licensees greater certainty and motivation to invest in the continued transition to digital.

INTRODUCTION

4. VLV welcomes this opportunity to respond to DCMS's consultation on whether a number of analogue commercial radio licences should be renewed after their expiry in 2022 or re-advertised.
5. VLV is a strong believer in the importance of radio as a medium for public service broadcasting at both national and local level and recognises commercial radio's part in that. VLV would not wish to see any changes that would unnecessarily disrupt the broadcasting ecology either nationally or locally. VLV also recognises that this is a time of significant change in listening habits, not just with the rise of Digital Audio Broadcast (DAB) radio but with the growth of online radio stations, streaming and podcasting.

6. This consultation is taking place against the backdrop of a shift in radio listening away from analogue and towards digital, with the ultimate destination envisaged to be full digital switchover. VLV does not support a rushed move to this goal, given how much listening is still to analogue services, especially at the local level, but we acknowledge that this is the direction of travel for the industry. VLV recognises that it is difficult for government, regulators, radio companies and other stakeholders to plan ahead in this context, with the emergence of new technology such as smart speakers further complicating the picture. At the same time, the nature of digital technology provides few barriers to entry for new entrants to the market.

CONSULTATION QUESTIONS

Question 1: What is the likely impact on the radio sector if legislation is not changed? In particular, what would the benefits be in terms of widening choice and investment in local programming and what would be the cost and other impacts for commercial radio in rebidding for licences?

7. As the DCMS states in its consultation, without legislation being changed, “radio stations wishing to continue broadcasting would need to reapply for their licences and potentially compete against other prospective operators, including new entrants, to secure a new licence”.¹ This would be a novel situation for many operators to face, given the system of licence renewals that has been maintained in recent decades. They might feel poorly treated to have the system changed in this way and view it as a poor return for their investment in growing digital platforms.
8. It seems quite likely that some competitors would surface, given that analogue listening remains significant, accounting for more than 40% of radio listening. But those proposing new services would have alternative digital pathways to the market. They would, for example, be able to launch stations on local or national DAB multiplexes, which have been much improved in recent years, or on the new small scale DAB multiplexes that are being rolled out this year. It is of course also possible to develop other audio services online.
9. VLV believes a relicensing process would be likely to prove expensive and distracting for licence holders. VLV tends to agree with DCMS’s assessment: “Overall, the government also believes that any possible benefits of allowing licences to expire and relicensing to take place are likely to be outweighed by the significant cost and disruption to the broadcast radio industry.”² As the consultation notes, Ofcom would also face a significant burden if there was a rolling programme of relicensing in the first half of this decade.

¹ *Consultation on the Further Renewal of Analogue Commercial Radio Licences*, DCMS, 23 December 2019

² Ibid

Question 2: 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?

10. According to the most recent Rajar figures, for the fourth quarter of 2019, digital now accounts for 58.5% of radio listening – up from the 56.8% quoted in the consultation document for the third quarter. This is up from 24% in 2010, as the consultation document states. It is suggested that on current trends digital may have grown its share to 80% of listening by 2027, the new expiry date of licences if they are renewed for five years from 2022.³
11. The VLV believes that it is important not to rush the transition to digital. Even if digital were to have an 80% share of listening, that would mean analogue would still have 20%, a highly significant minority share. There would be plenty of work still to do in encouraging the switch to digital and ensuring that no listeners are left behind or disenfranchised in the process. Five years – although the span of the most recent renewals for the national analogue commercial licences – therefore would be an inadequate amount of time by which to extend licences. There is a danger that licensees would feel inadequately motivated to invest in the continued transition to digital if they doubted whether they would be able to retain their licences beyond 2027.

Question 3: 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.

12. VLV believes it is important to recognise that there are differences between national and local radio when it comes to the shift to digital. As the consultation notes, reach on analogue still exceeds reach on digital at most local stations. However, the trend is in the same direction and we believe the principles at stake are the same. For the reasons outlined above in the answer to Question 1, continuing with a system of licence renewals seems to be a better way forward for local radio as much as for national radio than letting licences expire and re-advertising them.

Question 4: We would welcome views on the advantages and disadvantages to the radio industry and to individual stations of allowing a further eight year renewal.

13. As stated in the answer to Question 2 above, on current trends digital may have grown its share to 80% of listening by 2027, the new expiry date of licences if they are renewed for five years from 2022. A renewal of eight years implies an expiry date of 2030, by which time digital's share of listening should have grown significantly further, perhaps towards the 90% mark.

³ Ibid

14. As stated above, the VLV believes that five years would be an inadequate amount of time by which to extend licences. A lengthier extension therefore seems to be a better idea, to give licensees greater certainty and motivation to invest in the continued transition to digital.

Question 5: We would also welcome views and evidence on the impact of further licence renewals on commercial radio and on whether the current routes do provide a workable option for potential new entrants to the market.

15. VLV believes that the current system of licence renewals has worked well in encouraging investment from major radio operators in the switch to digital. We support its continuance for the time being for reasons set out already. As also noted previously, there are ways for new services to enter the radio market – and indeed the audio market more broadly – without bidding for the declining asset of an analogue radio licence. There are now many more stations being launched on local and national DAB multiplexes, and this year sees the rollout of the new small scale DAB multiplexes. Listening habits are diversifying fast and there is a burgeoning market in audio services, from podcasts to online stations.

Question 6: We would welcome views on a new requirement to allow smaller commercial stations to benefit from renewals if they take carriage on a small scale DAB multiplex and whether the legislation needs to define what is meant by substantially the same measured coverage area or whether this should be left wholly to Ofcom's discretion.

16. VLV is concerned that different operators should be treated equally and fairly. It would seem unfair for smaller stations to have to be carried on a digital multiplex covering a much larger area than that covered by their analogue broadcasts. VLV hopes that Ofcom's discretion should be sufficient to allow for the fair treatment of different operators.