

RADIOCENTRE SUBMISSION TO OFCOM FUTURE OF TV DISTRIBUTION CONSULTATION

BACKGROUND

1. As listening and viewings habits continue to change at a rapid pace, audiences are increasingly choosing to consume content via internet connected devices such as smart speakers and connected TVs. Understandably individual broadcasters will want to continually to assess the best ways to reach their audiences, but overall decisions about the future of broadcast distribution cannot be taken in isolation. We therefore welcome the opportunity to respond to this consultation¹ given the potential impact of fundamental changes to TV distribution on the UK radio industry.
2. Changes in distribution ultimately bring exciting opportunities for broadcasters, with more choice and new ways to reach audiences. However, the interdependence of the UK broadcast network means that decisions made by one platform will have an impact on others that share traditional broadcast infrastructure for network access. This is an operationally crucial issue for the radio industry to consider, yet long-term industry planning in this area is particularly difficult given a significant lack of transparency around wider network access costs.
3. Radio listening continues to be incredibly strong, with 49.5 million² adults tuning in every week. Broadcasters also make a substantial contribution to the economy and creative industries. Commercial radio alone supports over 12,000 jobs and £683m in GVA. Commercial radio broadcasters, with over 39 million listeners each week, are also an important source of trusted, reliable news and make a significant investment in journalism across all parts of the UK, broadcasting over 10,000 bulletins every week and employing hundreds of journalists.
4. Against this backdrop, listening on connected devices continues to grow, having reached a 24% share of all radio listening. While these changes are encouraging and present new opportunities for broadcasters, traditional broadcast radio still accounts for 72% share of listening, with 30% on AM/FM and 42% on DAB. Radio listening on DTT is small (3.8%), with exclusive listening on the platform extremely low, and is expected to continue to decline as IP listening increases.
5. The Digital Radio & Audio Review³, which reported in October 2021, was a comprehensive undertaking between industry and government that informed a number of important policy areas in subsequent years. As part of the review, Mediatique delivered a forecast⁴ of live radio listening by platform up to 2035. By 2035, it was estimated that IP radio would account for 32% of all radio listening, DTV 3%, DAB 55% and analogue radio (AM/FM) 10%. In this model, broadcast radio is still estimated to be a combined 65%.
6. The adoption of the smart speaker platform has been significant for our sector and at a much faster pace than originally forecast, currently a number of years ahead of forecasts. As part of

¹https://www.ofcom.org.uk/_data/assets/pdf_file/0038/269777/Call-for-Evidence-Future-of-TV-Distribution.pdf

² RAJAR, Q3 2023

³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1079580/Digital_Radio_and_Audio_Review_FINAL_REPORT_single_view.pdf

⁴ <https://getdigitalradio.com/wp-content/uploads/2021/10/Mediatique-Future-Audio-Consumption-in-the-UK-update-Dec-2020.pdf>

these changes FM/AM listening continues to decline, with listening largely displaced to both smart speakers and DAB. The consultation document notes that the review concluded that Ofcom and industry should plan on the basis that FM radio services will be needed until at least 2030. It found that the commercial case for radio broadcasters to switch off FM radio services would be finely balanced, with cost savings partially offset by investment needed to improve DAB coverage. Lastly, it also recommended a transition from FM to DAB and IP should be part of long-term planning by industry, to be revisited in a further review by 2026.

7. Given the rapid technological changes in the way that audiences consume television content, it is clear that the television sector is on a more accelerated path to an all-IP delivered future than broadcast radio, which presents a number of operational and investment questions and challenges.
8. It is helpful that this consultation noted the displacement impact that any policy changes in this area are likely to have on broadcast radio and our response largely focusses on the issues raised in question 5 below.

QUESTION 5: GIVEN THE SHARING OF INFRASTRUCTURE, WHAT WOULD THE IMPLICATIONS FOR OTHER SECTORS BE IF THERE WAS A CHANGE TO THE USE OF DIGITAL TERRESTRIAL TELEVISION (DTT)?

9. The call for evidence rightly highlights the interdependence of broadcasting infrastructure for TV and radio. Given this relationship, as well as the continued value and impact of our respective sectors to audiences, it is clear that greater industry and government co-ordination is required, led by Ofcom and the Department for Culture, Media & Sport (DCMS).
10. While the Digital Radio & Audio Review noted the importance of long-term planning, broadcasters are currently faced with a number of barriers that mean it is difficult to make informed assessments. In particular, we are unclear about the specific cost implications for radio if the TV broadcasting model was to change significantly (or cease entirely), due to the lack of pricing transparency from Arqiva, the largest provider of broadcast transmission infrastructure in the UK.
11. It is evident that an FM switch-off alone is likely to have an impact on costs for remaining broadcasters on DAB, some of which may be offset by savings from FM broadcasting costs. However, the switch-off of Digital Terrestrial Television (DTT) would have a much greater impact given the current proportion of network access costs borne by TV broadcasters. In a scenario where DTT broadcasters no longer require network access, the business model of Arqiva would seemingly result in asking its remaining clients to pick up these core costs.
12. Inevitably, long-term forecasting for radio broadcasting will include a degree of uncertainty. However, while the level audience listening by platform may be difficult to predict this far out, the potential increase in network access costs facing broadcasters who wish to support a national service will remain the same, whether the share of audience on that broadcast platform is two thirds or one third.

13. Across the radio industry there is a wide range of different business models, with some radio broadcasters exclusively customers who contract for network access, while others may be multiplex operators or have a vested interest in a local, regional or national multiplex services.
14. Our members have noted that in the event of a fundamental change in the broadcasting landscape it is difficult to estimate potential changes to network access costs, and in turn measure impact on their business models. However, given a reasonable assessment of known market dynamics the costs are expected to be significant and at such a level that it could risk destabilising the entire (future) DAB platform and thus the main broadcaster platform for UK radio. This is because we understand that under the current model providers such as Arqiva may simply seek to pass on transmission costs to their existing/remaining customers.
15. In the event of a DTT switch off, if all displaced costs, or even a significant portion, were passed on to radio broadcasters it would be an economically unviable situation for sector, which we expect could also jeopardise the entire business model of a transmission provider such as Arqiva.
16. We would also be interested to understand more about the government’s resilience planning, which in times of regional or national emergency continues to rely upon traditional broadcast networks. Radio is a particularly important platform for sharing information at times of emergency and cited by audiences as a vital service provided by local stations.
17. In order for our industry to be able to better assess the potential business implications of the TV sector committing to an all-IP future, and in turn provide a greater degree of certainty for their own investment decisions, we have a number of concerns that require addressing in the short-term. These are broadly categorised within the following areas:
 - **Transparency** – Broadcasters across the industry are not able to adequately prepare for the future of their businesses without significantly greater levels of transparency on this significant policy area from Arqiva. Without deeper insight into the implications of a DTT switch off, primarily around costs, a large degree of uncertainty remains.
 - **Future costs** – A lack of transparency around potential costs is cited as the primary concern from our members in this area. Understandably, it is extremely difficult to make informed long-term planning and investment decisions.
 - **Timing** – While the relevant dates for any proposed switch-off of DTT are beyond 2034, the timings for a review in the short to medium term are unclear. When addressing concerns from the call for evidence process, it would be helpful to also establish a road map on timings and next steps.
 - **Energy pricing uncertainty** – Increased energy costs in recent years (alongside high levels of inflation) has significantly increased the cost of transmission for broadcasters. Future trends in the energy sector are extremely difficult to predict. As a result, further instability in this area would compound already high predicted costs even further.

NEXT STEPS

18. There is no doubt that the potential ramifications of a major change of use of DTT to the radio industry are significant. Yet, it is currently extremely difficult for radio broadcasters to quantify the potential implications to their businesses without significantly greater transparency around costs from Arqiva.

19. Given the interconnected dynamics of TV and radio broadcasting network access and the important public value delivered by the radio sector, we believe that co-ordinated long-term planning is required across the broadcast landscape, led by Ofcom and DCMS. It is paramount that representatives from the commercial radio sector play a central role in the development of this planning and ongoing future discussions.
20. This work, which cannot be undertaken in isolation, should address the concerns that are currently held by radio broadcasters, along with a review of a host of future scenarios that are likely to be considered in order to provide guarantees around universality of TV and radio content from the BBC, public service and commercial broadcasters.
21. While the rapid pace at which listeners consume content continues to change presents exciting opportunities for the audio and audiovisual sectors, it is clear traditional broadcasting will make up a significant proportion of radio listening for years to come and so look forward to continuing to engage with officials in both Ofcom and the Department for Culture, Media & Sport on this important issue.

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ABOUT RADIOCENTRE

Radiocentre is the industry body for commercial radio. We work on behalf of over 50 stakeholders who operate over 300 licensed radio stations across the UK and represent 90% of commercial radio in terms of listening and revenue.

www.radiocentre.org