

Regulatory Policy Committee		Regulatory Triage Confirmation	
Title of regulatory proposal		Extension to National and Local Analogue Radio Licences	
Lead Department/Agency		DCMS	
Origin		Domestic	
Expected date of implementation		To be agreed with Ministers. Likely to be 1 April 2015	
Date submitted to RPC		08 October 2014	
Confirmation date and reference		16 October 2014	RPC14-FT-DCMS-2210
Departmental triage assessment		Low cost	
RPC confirmation			CONFIRMED
The RPC confirms this as a low cost proposal and therefore eligible for the fast track.			
Departmental rationale for triage rating			
The Regulatory Triage Assessment (RTA) says:			
<i>“The Digital Economy Act 2010 amended the 1990 Broadcasting Act to allow Ofcom to grant a further licence extension to FM and AM stations licensed before March 2010 for one period of 7 years, on the condition that those stations are also broadcast on DAB. The seven year extension was timed to reflect a switch-off of analogue radio services by 2017-18, and flexibility to extend licences further was not included in the legislation in order to create certainty of direction for industry”</i>			
<i>“In December 2013, the Government confirmed that now was not the time to confirm that a switchover to digital would take place or set date due to low percentage of listeners. The delay in setting a timetable for switchover, leaves a number of stations (3 national and 60 local) facing analogue licence expirations from late 2017.”</i>			
<i>“A solution to these licences running out needs to be considered. The proposed intervention is to allow Ofcom to grant a further extension to those licences for a specified period of time, specifically address the options for the duration of licence extensions, and the potential impact of each option on competition.”</i>			
The Department explains that it is considering consulting on three options of:			
<ul style="list-style-type: none"><li>do nothing and allow existing licences to expire at the end of term and re-advertise;</li><li>extending the licences for an additional five year term; and</li><li>extending existing licences indefinitely/for an alternative period of time (until switchover).</li></ul>			

*Without the legislative change, Ofcom will need to retender to all comers and assess applications. Offering so many licences in a relatively short space of time is likely to cause significant disruption to the sector when it may be preparing for the switch-off of analogue within 2-3 years of the stated licence renewal date.”*

The Department's rationale for fast track is that the cost of the preferred option is not expected to exceed £1 million. Although there may be some small administration costs from extending the licences, the Department outlined that the amount of time and small number of employees needed to complete these applications would result in a negligible additional cost to business. The Department has estimated this to be in the region of the low £100s for each renewal.

### **RPC comments**

The proposal is to consult on amending s103B and 104AA of the Broadcasting Act 1990 to allow Ofcom to grant a further extension to FM and AM licences for a specified period of time. This will allow Ofcom to assess the merits of the various options being considered for the duration of the proposed licence extensions, and the potential impact of each option on competition. The RTA explains that the amendment will allow the radio sector to continue to run in the most efficient way, while still providing audiences with quality broadcasting.

The Department expects each of the three options under consideration to generate impacts for business. These impacts will be calculated and assessed based on the research DCMS will commission on each of three options. The Department believes that once this research has been completed, it should have a better understanding of the costs and benefits to the sector, the public and any other affected groups for each of the options.

The Department does not expect the costs of the preferred option to business to exceed £1 million. The RTA explains that there will be negligible additional costs to existing licence holders from an extension of their current licences. Businesses would be able to avoid the costs of participating in a complex competitive tendering process for their respective licences.

Similarly, the Department does not expect that the costs of the preferred option would exceed £1 million for potential new analogue entrants. This is because the Department does not anticipate that there will be new entrants bidding for the larger national analogue licences, as the bidding process could go on for longer than analogue services would be available, given the impending switch off in 2019.

In terms of the smaller local licences, the Department expects any new entrants to establish digital rather than analogue services, given the forthcoming analogue switch off in 2019. In addition, the Department explains that potential new entrants may be discouraged as they could potentially inherit format requirements (i.e. the requirement to switch over from analogue to digital) from the previous licence holder. . Nevertheless, the Department will carry out further work over the consultation period to determine the exact nature of the competition impact of the policy

The cost estimates contained in the RTA are based on a potential digital switchover date in 2019. However, given there is uncertainty around this date, the final IA should consider the potential for further slippage of the switchover date. Any further slippage could increase the potential consequential increased costs to new entrants.

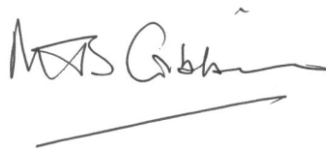
**One-in, Two-out (OITO) assessment**

**In scope**

The RTA says *“The impact of options 2 & 3 will not add significantly more burden to affected groups on top of their usual course of business. If the process does add cost, it would be in the form of a very small additional administrative cost to Ofcom to extend the licences; this will be negligible to the affected groups and should not be viewed as a significant cost.”*

Based on the evidence presented, the Department’s assessment of the likely direction of impacts appears reasonable, and the OITO assessment is consistent with the current Better Regulation Framework Manual (paragraph 1.9.10). The Department will have to strengthen the evidence supporting the equivalent annual net cost to business, so that the RPC can validate the estimate at final stage.

**Signed**

A handwritten signature in black ink, appearing to read 'Michael Gibbons', with a long horizontal line extending from the end of the signature.

**Michael Gibbons, Chairman**