

Submission on discussion document - AM/FM radio spectrum: 2031 expiry of licences and potential reassignment

Your name and organisation

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Organisation	Brian FM

General questions

Eligibility criteria for renewal

1 Should the Crown restrict eligibility to those with no outstanding fees? Should there be any exceptions to this?

Yes, for any extended overdue fees (age limit close to bad debt and ongoing) why exacerbate the problem for future years. Be human about this, accidental or incidental missed payments happen – but prolonged non-payment should remove eligibility.

Moratorium prior to the rights expiry

2 Please provide any feedback you have on the proposed moratorium date. In what circumstances should an exception to the moratorium on modifications be allowed?

There should be no Moratorium for any period longer than 12 months before any renewals in 2031. Business needs and opportunities to expand via new frequencies and should not be frozen for 5 years. This is not in keeping with the RSM Objectives. – Strengthen NZ Business Environment, Ensure licence admin process is fast, simple and effective, nor a good balance of compliance needs. A goal of this process is to gather remuneration for frequency use beyond 2031 – and from the outset this proposal limits opportunities prior to that date for an extended period. A 12 month pause from 2030 to 2031 allows ample time for any internal RSM processes ahead of renewals in 2031.

Proposed policy objectives for the allocation process

3 What amendments, if any, would you make to the proposed objectives and criteria?

Any extended Moratorium does not meet any of your objective criteria detailed in table 1. See our reply above.

This is a negotiation – not an allocation. We already have a right to use the assets.

Objectives

- A) Agreed - Solidifying the use of FM and importantly AM frequencies for future periods is important for all parties.
- B) A fair and realistic balance of the asset needs very detailed understanding of the economic context broadcasters are in. A thorough understanding of the commercial realities of our businesses – and their long term future alongside an understanding and admission that digital consumption for consumers was unforeseen at the last round of renewals, and must be a considerable factor in any value proposal for the future of AM & FM licences.
- C) We believe there is already healthy market competition, both for any new release frequencies and in day to day business amongst the media outlets impacted by this renewal process, however the goal posts have changed greatly since the last renewal – Using the renewals to try and generate a new level of competition amongst broadcasters will backfire – only creating interest increase for the biggest 3 or 4 markets, and leaving the mid, smaller and community markets unwanted and inevitable underserved with options for local listeners.

4

Are there other objectives or criteria you would propose? If so, what are these?

Community & Welfare.

RSM should factor in community coverage at a much higher level than apparent. Day to day consumer entertainment, companionship, community communication, Civil Defence, mental health and welfare. Its seemingly taken for granted the many ongoing expenses we absorb day to day to maintain our broadcasts and have backups etc in place, and then when a situation unfolds like the recent flooding thru many parts of New Zealand, we are all important and being reached out to as the only viable community link.

This consideration should also take into account areas that are currently (and could be) covered by AM & FM broadcast that are not commercially viable as stand-alone markets. Many broadcasters have established and continue broadcast into these smaller communities out of legacy, community desire and goodwill. There is no commercial value to these areas for stations and businesses, but listener value to having a station in the markets. Examples from within our network include Taihape, Multiple Marlborough locations (Seddon, Ward, Kaikoura, Havelock, Okiwi Bay, Bulwer) Golden Bay, Akaroa, Hanmer Springs, Otematata, Fairlie, Twizel & Tekapo, Omarama, Taumaranui, National Park, Milford Sound, Murchison, Lumsden.... And many others with extremely limited revenue lift, Raetihi / Ohakune, Westport, Picton, Te Anau and so on. Many markets nationwide like these will have significant reductions in broadcast stations under the current RSM proposal.

Approach to pricing commercial licences

5

Which is your preferred approach and why?

The framework has merit and trying to get ahead of 2031 with certainty is important – however there is so much flux in listener habits and the prolific use of online - combined with the every shifting revenues to digital spaces that a 5 year upfront estimation of value is hard to establish. A good deal is one where both parties feel its not a good deal.

So, with this in mind, the flow of a renewal is positive – but depends on the end result or realistic offers being made to broadcasters.

Agreeing what the future will look like in 6 years (2031), today, is difficult with so much listener behaviour change and revenue shifting... looking into the next 20 years past that is a total crystal ball... We have to try, but we all have to be extremely realistic. Decline beyond our wildest imaginations is inevitable.

Also placing a deadline of 6 months upfront for settlement of the threat of re-auction is not viable – Mid to small businesses can try and plan as much as possible, but cashflows are not huge, and depending on the offer expectations – payment plans and considerations may indeed be required – or risk communities having no services.

As a newer entity, we have not had years to amass income, make debt payments and reduce loans, and have paid high rates for our licences. Expecting this again in such quick succession is unrealistic for New Zealand small businesses.

6

Is there another approach you would suggest? If yes, please explain how this approach would be implemented and how it would provide greater benefit against the policy objectives than the above approaches.

From our previous point - A deadline of 6 months upfront for settlement of the threat of re-auction is not viable – Mid to small businesses can try and plan as much as possible, but cashflows are not huge, and depending on the offer expectations – payment plans and considerations may indeed be required – or risk communities having no services.

We should be rewarded for growing, being professional, reliable and community minded broadcasters, and have this taken into consideration along with the economic pressures and changing listening habits, not held to gunpoint with a threat of go immediately into great debt or lose your ability to broadcast with licences being re-auctioned.

Whilst we still maintain our value to the communities is enough for the 2031 renewals to be processed again without any cost to operators, if a fee is to be demanded - the fairest way, is based upon revenue at a fair and reasonable level.

Price formula

7

Do you agree with the assumptions outlined to calculate a price offer? Why? Why not?

No there are many holes in these assumptions for our businesses.

- A) Price Offer (based off previous market price) Whilst giving current broadcasters some certainty in their future and economic planning it's not just that simple. Depending on where the offer ends up will determine the proposal merit. We require an honest acceptance of value both of the asset and what we as broadcasters offer to our respective communities. Taking into consideration:-
 - 1. Market prices have changed drastically with the considerable uptake of digital listening to online services, that to not have to infrastructure nor ongoing costs of AM& FM Broadcast – and not beholden to licence costs as we are discussing.
 - 2. Revenues have shifted drastically into the digital space – and will continue to gather speed in this direction. What we saw from digital 5 years ago is drastically different to today – and that it will be in 5 years time at 2031. What's the future beyond that going to look like?.
 - 3. The continued decline in physical radio unit production. Less in home radios (using AM/FM) replaced by digital listening means - smart speakers, Bluetooth options, Phones, sound bars etc creating a fast moving value decrease in AM & FM broadcast licences
 - 4. It's very assumptive to state that this process is likely to produce lower than market auction value (Point A – Balance) . Maybe for the 3 big centres this could be considered – outside of this serious doubt. Many broadcasters are looking at their overheads and reducing costs, eliminating markets or consolidation of broadcasts into many regions. Listeners would be severely impacted with this current RSM proposal with broadcasters simply having to eliminate areas of coverage to balance the books.
 - 5. Depending on the offer, this model does not take into consideration any small markets, minority audiences, ethnic audiences for reasons already mentioned. Revenues for these simply do not exist at levels viable to have stand-alone services.
 - 6. Revenue is not based upon population – that clearly ended many years ago. Looking at potential audience having any relationship to revenue in this way is a false economy. Even large markets have stations serving minority groups... these will wither and die under the current RSM proposal.
 - 7. Economics of today mean a lump sum payment is a barrier for broadcasters of any size is not viable.
 - 8. If the offer continues to be unrealistic, broadcasters will prior to 2031, evaluate the value of maintaining broadcast in regional rural and community markets verses the broadcast infrastructure and operational costs, and look to these as business savings now, in 2025 and cease broadcast in many markets immediately. Why prolong the haemorrhage of money – rip the band aid off now and restructure businesses for the 2031 future.

B) All Frequencies Auctioned. This is not viable.

1. There may be increased interest in the big 3 main centres – but a massive reduction of broadcast options for listeners on AM & FM radio stations in the local markets. The revenues are not there to justify the expenses. These areas are currently covered under legacy licences, or broadcasters desire to serve a community – not generate additional revenue.
2. The phrase under placing all licences to auction “theoretical allocation of spectrum to the most efficient operators” is almost insulting to the hard working teams maintaining economically viable broadcast day to day now – and demonstrates the little value RSM place on our local community works. It promotes a single output at best.

C) Price offer & Auction.

1. Again predicated by the offer being fair, realistic, and taking into consideration community value, increasing digital consumption and decreasing AM & FM listening - this is the most viable path.
2. Gives broadcasters a chance to evaluate their businesses and operational footprint Vs the offer cost. RSM’s goal should be to protect current coverage levels, not force reductions due to relicensing costs.
3. Enables unrequired / released spectrum for potential auction at the choice of any licence holder relinquishing their licence willingly, or any silent licences being quickly activated or returned to RSM for auction.
4. The actual auction process would need to be held upfront of 2031,to enable continued broadcast on a frequency changing from one station to another, if that were to happen at all, for the benefit of the local community.
5. In stating this however, some, if not may smaller market frequencies designated as not required by larger operations may not attract any other interest at that same price point, and therefore cease to be an AM or FM option to the local listeners- only serving to hasten the decline in value of AM & FM broadcast frequencies nationwide.

The pricing formula is way off and anti-small business.

1. Original acquisition of a frequency should NOT be a factor in any ongoing evaluations, this was at a point in time for many factors increase value – many instances were inflated beyond expectations due to anti-competitive behaviour or tremendous misunderstandings of potential. Christchurch is a huge example of overpayment due to unrealistic competitive pressures, Taranaki similar.... Lyttleton –WAY above market value but not based on revenue expectations... based on other factors. Many other regions have paid well in excess of the other frequencies in the market due to these pressures – and should not be a factor in ongoing evaluation.
2. How can the price of a frequency in 1991 have any relevance to a consideration for 2031? No internet listening existed, No Digital devices, No Spotify, No Facebook, no relevance at all. Consideration here needs severe realignment to be in any way realistic to the day to day pressures of business in 2025, let alone 2031 and beyond. Interesting how the more recent 2011 renewals were not considered to retain any value, yet 1991 was... why?
3. A legacy frequency has been acquired and paid for in the past – and the value of cumulative revenues thorough its lifespan for 10, 20, 30 years is much greater than one auctioned 3 years ago – and yet the proposal has a pricing that will attempt to level these as being equal. Please consider this ability to have generated revenue as an additional factor in your models – fairly for all licences.
4. This calculation model is predicated on industry revenue growth, which is driven by the two large established networks – and congratulations to them for that success for decades. It is however irrelevant to many mid to small operators – newer entrants, regional and local market stations who are not propped up by Auckland revenue and trying to grow their respective local regional income. This calculation model turns into a yard stick in which to punish great work and small steps of growth and business aspirations - Making many small broadcast organizations uninteresting to continue investment.
5. At no time is there any factoring of community work we conduct daily, nor the huge infrastructure we invest in to maintain broadcast and information during emergencies.
6. Table 3 shows an average licence cost – which is irrelevant. How can you compare the value of a frequency in Taihape to Auckland? The worlds are vastly different. This thinking again needs severe realignment with a reality balance. The value of a consumer in Auckland is greater than in Taihape, from revenue potential – based upon income levels and many other factors.

Duration of licences

8 Which of the two options do you prefer and why?

There are actually 3 options detailed by RSM.

Whilst this is our preferred option as detailed by RSM, **it is NOT the most viable, fair nor futureproof option for our business, or indeed the industry.**

c) Price offer & Auction.

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In stating this however, some, if not many smaller market frequencies designated as not required by larger operations may not attract any other interest at that same price point, and therefore cease to be an AM or FM option to the local listeners- only serving to hasten the decline in value of AM & FM broadcast frequencies nationwide.

Again, we anticipate a no cost renewal, for reasons previously stated, however if a fee is demanded, a revenue based approach is the most fair and automatically takes into consideration the changes in listening platforms (from AM.FM to digital as we know it today) and any emerging new technologies.

9 Is there another option that should be considered? What would this be and why?

The days of population determining revenue are over. Yes there is still a factor of this remaining true in that larger markets have higher revenue potential, however the splintering of the consumers seemingly unlimited digital options has created an imbalance.

Amazon, Spotify, YouTube, Apple Music and the endless streaming platforms have had severe impact on consumption and therefore the expected trend of revenue following the audience to different platforms is ongoing – all platforms with greatly lower operating technical and financial requirements.

It's important for RSM to acknowledge that since the previous renewals, this trend is gathering momentum at tremendous pace – and that the future before the 2031 renewal this will continue, and beyond 2031 certainly is a vast unknown. At some point there will be a tipping point raising the question – “When do broadcasters decide to cease terrestrial broadcast”. The UK's BBC have publicly stated 2035 they will stop AM & FM Broadcast, and maybe DAB quickly thereafter.

While New Zealand may not be that aggressive, 2035 is 10 years in the future, and a lot has changed in consumer habits in the past 10 years. Being able to predict this change in consumer habits for our businesses is a nigh impossible task. We can only crystal ball that future and that view is extremely unclear and placing the next 25 years upon a whim of today's data is not viable

The RSM mandate now should be to preserve the ongoing offering of stations in each market as of now, encourage growth through a continuation of any auctions of new frequencies, and resetting expectations of a broadcasting sector windfall.

Established broadcasters should not have to pay again for the continued use of a frequency that has admittedly decreasing value, at a rate that cannot be predicted, for a period of time where it most certainly will not have the perceived value RSM are trying to extract.

Depending on RSM expectations, if monies are requested for the continued great work broadcasters offer to their listeners and communities, the fairest and most viable is annual revenue based.

- Auto factors in each years migration of revenue to digital platforms (and the decline in AM&FM broadcast reliance)
- Accounts for smaller markets generating less revenue and have less demand, yet technical cost similar to run.
- Allows for smaller communities generating less revenue (example Samoan stations in Auckland V's Newstalk ZB for example)
- Is not much more difficult to administer than the current annual licence fee.
- Accounts for larger organizations generating higher revenue and smaller operators gathering less.
- Maintains broadcast in most if not all current markets and regions.
- Allows for capturing any new revenues generated by reactivating DAB into key markets.

10

What licence duration would make most sense for your company/organisation? Why?

20 years seems logical, as that will encompass the totality of value for AM&FM Broadcast past the aforementioned tipping point, and solves the industry doing this evaluation dance again in quick succession, an absolute minimum renewal of 10 years. At least the value will be more clear into the future, in 15 years time – 2041.

11

What should be the difference in tenure for AM vs FM, if any?

No difference. Let's stop the AM switch off pressure that exists now. 20% of New Zealand still consume AM each week, and for many remote areas it's the only link to the rest of our country – especially during emergencies.

Whilst the listenership is much lower than FM, an audience can still be there where no viable FM/DAB?/Cellular options exist.

12

What duration of time of non-use would be appropriate for triggering the Crown's right to take back the licence?

Great question... there are many frequencies not in use now.

Suggest after a year of inactivity – notify the rights holder to reestablish broadcast within 12 months or lose it.

This process should start ahead of the 2031 timing.

RNZ and Schedule 7 provisions in the Radiocommunications Act

13

How do the sections of the Act advantage or disadvantage your business?

Matching any tenure of licences to that of the commercial sector is both logical and essential for a continued co-existence, shared infrastructure, listener expectations etc.

14

How might the Crown provide fairness to all licence holders?

Same licence durations for commercial and public sectors.

Realistic expectation on any renewals.

Understanding of our business worlds (very different to the public sector, large networks, digital competitors etc)

Acceptance that digital consumption is a massive new factor

Agreeing Revenue is not proportional to population coverage

15

What options do you see for how the Crown might address its preference for 10-year licences, given this legislative barrier? Would you prefer the options developed are operational or legislative? Why?

These should match commercial licence agreement timing terms.

Non-commercial use of AM/FM radio broadcasting spectrum

16

What changes, if any, should be made to the reservation of spectrum for iwi radio, community radio and RNZ?

Status quo is fine with us.

Currently reserved blocks

17

Should the reservations in block 16 – 19 continue into the new right in their current form? What changes would you make, if any?

Block 16 – No Change

Block 17 – it's an unused asset. Creating a "youth network" that time has well and truly passed. In no country are "youth" turning to broadcast radio the way they were 5 years ago even.

Reallocate this for commercial purposes and hold an open auction - look for new entrants in many markets – akin to the supermarkets, a new network may emerge, or at least continued coverage of existing into other markets is viable. We expect this interest to be on main centers, but let's see - this singlehandedly could generate any revenue offset against the RSM current proposal for licence renewal beyond 2031. For sure – in another 10 years this spectrum will have much much less interest.

Block 18 – No Change

Block 19 – No Change

18

If unused spectrum was to be released, what would bring greater benefits: reassigning these licences to commercial or other non-commercial use? If non-commercial, to whom? If commercial, how should it be made available to market?

Any unused spectrum is an opportunity – remove the restrictions on Block 17 and put it to auction – now. Not doing so only underlines a market duopoly, and closes the doors for new listener choices in the many large markets where there are currently no available frequencies.

Local Commercial FM licences

19

Do you agree with comparing the original intent of LCFM with the proposals in this document to determine their continuation? If not, how would you prefer they were assessed?

These licenses should be reallocated to full commercial FM in 2031.

20

Which option do you prefer: the proposal outlined or maintaining the status quo (Local Commercial licences remain, with strict conditions and are charged at a lesser price than commercial licences)? Please explain why you prefer this option.

There are unrealistic expectations placed on local commercial stations that in today's economy undermine their ability to exist and grow. Evident in many failing.

21

If maintaining the status quo, how should the price be calculated to account for the retention of strict content provisions in the licence agreement while acknowledging that these are commercial licences with revenue potential?

N/A – reallocate to full FM

22

If the proposal outlined is to progress, will there be enough time to transition by April 2031? If not, why not?

2031 is good.

Closing comments

Are there any other comments you wish to make?

DAB – there is an opportunity to extend “broadcast” value to listeners for a longer duration, expand options, utilize spectrum and stem the flow to online digital platforms by opening up a number of key market multiplexes.

The days of anyone “buying a new DAB radio” are pretty well gone.. but in modern cars DAB is prolific – and listeners have no ability to utilize this desirable system.

Whilst offering this at no cost for the spectrum use for existing broadcasters, we would have to invest significantly in infrastructure to cover the population – similar to the cellular companies and 5G.

A certain number of multiplex channels allocated to the existing networks NZME and Mediaworks, non-commercial RNZ, Iwi, Access radio, Student Radio etc, and a large /

sizeable allocations for growing networks and businesses to expand their horizons and offer alternatives for consumers in markets.

We are available at any time for further comments and consultation.

If the RSM and the industry licence holders cannot find a suitable outcome for these renewals, in the current proposed timeframe, we reserve the right in good faith, to extend the period for negotiations to enable a satisfactory conclusion for all.
