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The economic viability of commercial radio in Ireland

A report for the Broadcasting Authority of Ireland
prepared by Oliver & Ohlbaum Associates Ltd

Contents

Figures

Tables

Summary

The Online Safety and Media Regulation (OSMR) Act 2022 was enacted on 10 December 2022. The Act amends the Broadcasting Act (BA2009) by changing provisions in that Act and by adding additional provisions. The amendments and additions have three primary objectives:

- to establish a new regulator, the multi-person Coimisiún na Meán (CnaM), and dissolve the existing regulator, the Broadcasting Authority of Ireland (BAI),
- to implement the revised Audiovisual Media Services Directive (AVMSD) through an updated regulatory framework for broadcasting and audiovisual on-demand media services and a new regulatory framework for online safety; and,
- to confer on CnaM the powers and functions necessary to enable it to appropriately apply and enforce the new and updated regulatory frameworks.

The Act provides for CnaM to be self-funding by means of an industry levy/levies. In the first year of operation, CnaM has been allocated €10.5m in Exchequer funding, which will be supplemented by the continuation of the existing levy on broadcasting services. Levy arrangements for other regulated services are due to be developed during this period for introduction from 1 January 2024, when CnaM is expected to be entirely self-funded.

In the Report Stage debate on the OSMR Bill in the Dáil on 30 November, an amendment was proposed which would require the Minister to lay a report before the Houses of the Oireachtas on provision for a reduction in the broadcasting levy in recognition of the role of commercial radio stations. A suspension of the levy for 2023 was also requested during the debate. Reasons cited included: the role of local radio in providing public information, distinctive content and a sense of community; the impact of the COVID-19 pandemic on advertising revenues; advertising budgets migrating away from local radio and commercial radio in general and over to social media platforms; the size of current levy payments by local stations and those with higher audiences and greater resources.

In response, the Minister agreed with the public service value of the commercial radio sector. The Minister noted the regulatory principle that ‘a regulated service should only contribute to the cost of functions related to that service’, and that as a result levies applied to other types of providers could not fund a reduction in a levy on broadcasters. While the OSMR Bill was not the right vehicle to address any immediate economic pressures facing the commercial radio sector, the Minister asked the BAI to assess the current economic environment and its impact on the sector and to submit a report to the Minister.

To help inform its assessment, the BAI commissioned Oliver & Ohlbaum Associates (O&O) to produce a report to assess the economic viability of commercial radio in Ireland. To provide context we started by considering recent and expected developments in the European audio markets, before looking more closely at the Irish audio market and the implications for Irish radio. We then gathered and independently validated data on the costs, revenues and public funding for commercial radio in Ireland, produced radio sector financial forecasts for 2023 and 2024 considering developments in the sector and the wider economic environment, and set out the opportunities and specific pressures for the commercial radio sector in the coming years. We then considered any short-term measures that could support the sector in 2023, and the possible structure of the new broadcasting levy or levies on regulated commercial radio services. In doing so, we considered the different segments of the commercial radio sector, in particular by ownership status, geographic reach and size.

Our work has drawn on market data analysis, desk research, an interview programme, and a survey to collect financial information from the commercial radio sector.

The European radio market is adapting to the impact of digitalisation

As we have seen across the media sector as whole, digitalisation has brought significant change to the audio and radio market. Indeed, **technological development** has provided the impetus for major developments in how audio content is distributed, accessed, and monetised. For starters, developments in connected devices and digital services have brought opportunities to engage consumers wherever and whenever they want to listen. These innovations have also introduced new intermediaries for radio distribution. In traditional broadcasting the radio station transmits directly to listeners, whereas distributing radio to listeners online is intermediated including by search, voice assistants, app stores, and podcast aggregators. This has raised new questions for radio broadcasters such as: how easy services are to find, how prominent they are, whether intermediaries take a share of revenues, and whether intermediaries share data.

On the back of the new opportunities for audio content distribution, **competition has increased** at all levels, pushing every player to consider their role and place in the audio space. Radio broadcasters are competing with new types of services for consumers' listening time, while also considering how best to reach their audiences. Platform competition is perhaps most in evidence in the new global consumer-facing services such as Spotify and Apple Music, but a host of audio business service platforms such as Acast (podcasts) and Distrokid (music) are also playing a new role in the sector. Competition exists in terms of features, user experience, content offerings, and pricing. New formats of audio content have also emerged; podcasts are perhaps the most notable example and we have seen the entry of other professional media (such as newspapers, TV shows, and celebrities) into this space – bringing new competition for speech radio. Competition has also come from newly enabled content creators, with producers able to reach consumers directly, and anyone now able to enter the market provided they have a mic.

This evolving and dynamic environment is subject to **regulation**, and there is an active debate in this area. Across Europe the role of digital intermediaries is being shaped by legislation including the Digital Markets Act (DMA), Digital Services Act (DSA), and the proposed European Media Freedom Act (EMFA). Broadly, these interventions aim to regulate the business relationships between digital platforms and providers of audio content and services. The European Commission has also investigated potential anti-competitive practices in the audio sector.

All of this change in what is on offer inevitably coincides with an evolution of **consumer behaviour**, which has been accelerated by the pandemic. European consumers have shifted towards on-demand listening including through audio streaming platforms and VSPs (Video Streaming Platforms), as these services offer consumers choice and convenience in how they access and consume audio content. While currently radio reach and listening are robust overall, younger listeners in particular are moving towards online audio services. As such, traditional broadcast listening is gradually declining in favour of digital, streaming and podcasts – and this trend is set to continue. On-demand listening and VSPs also offer opportunities for personalisation, allowing consumers to tailor their listening experience to their individual preferences. Recommendations based on previous listening habits, user-generated playlists, and personalised radio stations are some of the features offered by many streaming services that are driving consumers to look for customisable, more bespoke listening experiences and content.

Finally, these developments impact **advertisers** and partially depend on advertiser's continued interest in audio content. In general, advertisers have been slowly revising their budgets, to reallocate spend from traditional media to digital. Press has been most affected, with radio and television relatively robust, although radio is beginning to come under some pressure both in absolute terms and as a share of total display advertising. The shift towards digital enables advertisers to better target specific audiences based on demographics, interests and location, which can be appealing to some groups. That said, radio's relatively robust performance in recent years is likely down to the good value it offers in reaching relatively large audiences in a brand safe environment – while appealing to both national and local advertisers alike. As such, the role of audio within digital advertising is yet to be fully established, and it will take advertising buyers to fully embrace podcasts, but traditional radio ad revenue looks set to continue to slowly decline.

While it is exposed to the same trends seen in Europe as a whole, radio is particularly popular in Ireland

Ireland is a highly connected market with high uptake of connected devices, including via mobile internet; as such, the radio sector is exposed to all of the developments being experienced across Europe. Indeed, smartphone penetration is high at more than 80 per cent, and has plateaued, while smart speakers have taken off in recent years and are the latest source of disruption to the audio market.

So far, Irish radio remains popular; indeed, radio/music player is by far the most used device in Ireland for listening to audio media and daily radio reach and consumption are high. While there has been some decline in radio listening, consumption in Ireland remains well above the average in other markets, with an average of 258 minutes of radio listening per person per day in Ireland in 2022, compared to 142 in Europe. As in other territories, younger people listen less, but young people in Ireland listen to radio much more than elsewhere. In 2022, 15-24 year olds averaged 179 minutes per person per day of listening, even higher than the European average for all age groups of 142 minutes per day. While we expect radio listening to continue to steadily decline, the Irish market – and demand in particular – remains strong.

The Irish radio market is characterised by the presence of a PSM, RTÉ, a commercial radio sector, and community radio services. Stations in the commercial radio sector can be differentiated by ownership status and regionality (national, regional/multi-city and local). Within the commercial sector, there are two larger groups, Bauer Media Group (which operates at all levels of regionality) and Wireless (which owns local stations across the country). Outside of these groups, there are a range of regional/multi-city players (e.g. iRadio), multi-city (e.g. Classic Hits) and locals. Around 56 per cent of listening is to local or regional radio, and around 71 per cent is to commercial stations. Bauer is the lead commercial player and achieves similar weekly reach to RTÉ.

In terms of content, the PSM and commercial radio stations at national, regional and local levels are different and complementary. The commercial sector is recognised as making an important contribution to media plurality, with Public Service Content in the form of news and information, alongside popular music and talk. This includes Irish language content, for example on iRadio. Local stations are seen as important providers of local news and information such as local sports coverage, traffic and weather, and the availability of local news can drive listening. Radio overall remains a highly trusted and important source of news.

As we have seen across Europe as a whole, the development of the Irish audio market has been led by the digitalisation of content and the associated increase in accessibility. In Ireland, listening to traditional broadcast radio has been robust and live radio continues to be listened to by 90 per cent of audio listeners per week. Nevertheless, traditional radio broadcasters have responded to the increasing level of listening taking place online by developing their own online players. This innovation is particularly important for commercial radio, whose listeners are more likely to favour listening via connected devices.

For the Irish audio sector as a whole, revenues have been growing steadily in recent years, punctuated by the impact of the COVID-19 pandemic, and are expected to grow strongly at around 4 per cent per year from 2023 to 2026. This includes all audio related revenues, not just radio, and growth is driven by both digital (streaming, downloads) and traditional music (recorded music, live music ticket sales, music synchronisation and performance).

Our survey of the sector shows top-line Irish commercial radio revenues have recovered from the pandemic

To build on the high-level trends data observed above, we worked with the BAI to collect costs and revenues data for 2022 from 31 commercial radio stations. This data was collected in a way that was consistent with the BAI's previous work to collect data for 2019, 2020 and 2021, which was used to produce quarterly COVID reports to inform policy development. After doing this, we had a consistent dataset to analyse trends from 2019-2022.

This revealed that in 2022 the Irish commercial radio sector made €137 million in revenue (up from €120 million in 2019), demonstrating that the sector as a whole had not only recovered from the dip in the pandemic, but is now larger than before. This number is gross of commissions[1], and includes non-broadcasting revenue streams, and so may differ from other estimates. Whilst total sector costs have also risen to €110 million (up from €102 million in 2019), total profitability has grown, with sector EBITDA[2] at €27 million (up from €18 million in 2019).

However, data segmentation reveals different stories within the sector

Commercial radio is a diverse and complex industry. While top-line figures provide an overall view of the sector, segmentation analysis is important to understand the performance of different groups and segments.

One way to segment the industry is by regionality. Data on revenue growth from 2019-2022 indicates that the local advertising market may have been the slowest to recover from the Covid-19 pandemic, when many local businesses were required to close their premises and reduce costs. In addition, some local advertisers may have been motivated to try digital advertising during the pandemic. Digital spending can be easily and quickly controlled and flexibility was valuable during this period, and digital advertising offers local targeting. Operating costs data in 2019-2022 indicates that local stations in particular are likely to have carried out cost-saving initiatives in this period. In terms of EBITDA in 2019-2022, all types of stations by regionality saw growth. Local stations grew at a lower rate, but this was still 10.5 per cent average CAGR over the period.

We also analysed BAI data on public funding and the existing broadcasting levy

Commercial radio has benefitted from public funding schemes, as well as contributing to the broadcasting levy. Through Sound & Vision 4, the commercial radio sector has received €7.5 million in funding from the BAI, with €5 million of this distributed through dedicated COVID-19 funding rounds, €4.5 million of which was provided through Exchequer funds made available by the Minister. The majority of S&V4 funding went to the local radio segment (which received €5.7 million in total), with the national radio segment receiving €0.5 million and regional / multi-city receiving €1.3 million. Looking at the levy paid to the BAI by the commercial radio sector, between 2018 and 2022, the amount paid per year ranged from €1.62 million to €1.87 million. The levy was waived for the independent radio sector during six months in 2020 due to the COVID-19 pandemic, a move that saved the sector €1 million. This was funded through a revised BAI work plan to enable budget cuts, and Exchequer funding of €839,000.

Overall, this is a reasonably robust performance that suggests all commercial radio segments remain financially viable in 2022, while some challenges are present.

We anticipate that Irish commercial radio revenues will continue growing modestly, but profitability could be somewhat squeezed

To gain a view of where the market is heading in the coming years, we conducted an interview programme with a range of commercial radio broadcasters, from larger groups to regional/multi-city broadcasters and local independent stations. We combined these insights with the patterns identified in our analysis of historic trends and drivers of change, to generate forecasts for listening, revenues and costs for the sector in 2023 and 2024.

Our forecasts suggest that listening is likely to continue its historic trajectory, with a very gradual decline, and remain in a strong position by 2024 (with reach remaining high at 77 per cent, and total average daily live listening at 255 minutes). Top-line revenues should see modest growth in 2023 and 2024, with agency sales staying flat, local sales completing their recovery to their 2019 levels and non-broadcasting revenues continuing their recent growth (driven by bigger stations continuing to invest in digital). While there is significant uncertainty, we expect costs to grow at a

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[1] 'Gross of commissions' defined as excluding commissions – i.e. net advertising, rather than gross advertising

[2] 'EBITDA' defined as Earnings Before Interest, Taxes, Depreciation, and Amortization and is a metric used to evaluate operating performance

faster rate than revenues, with total industry costs climbing to €119 million in 2024, as costs lines such as energy and staff rise. As a result, profitability is set to be somewhat squeezed over the next two years.

These forecasts are contingent on the current macroeconomic outlook as forecast by the Central Bank of Ireland[3]. However, we acknowledge that macroeconomic conditions have been turbulent in recent years, and a shift in macroeconomic trends could see the sector develop on a different trajectory.

Despite this top-line growth, we anticipate some parts of the industry will face greater challenges than others

We anticipate that the coming years are likely to be more challenging for local independent stations, which are more likely to be exposed to the continued inflationary environment, affecting profitability. Depending on the extent to which they have already made efficiencies, stations might face greater challenges maintaining programme quality, linked to staff costs.

There are local independent station concerns about the viability of local news provision, which is a staple of their programming. In interviews, stations said that they fear the quality of this programming is already facing downwards pressures due to high staff turnover as staff have left for news providers in other sectors, where wages are typically higher. We heard that, as the sector continues to face inflationary pressures, stations may be forced to reduce their provision of news in favour of cheaper, more generalist programming.

Digitalisation and diversification bring opportunities but also challenges

With the advertising market likely to remain fairly stagnant for radio, it will be increasingly important for the sector to embrace opportunities to diversify its revenue streams. One of the opportunities – likely becoming a necessity over time – will be for radio stations to increase their digital presence and monetise their content on digital platforms.

We heard in an interview with the largest group, Bauer, that it has taken steps in this space and has seen good growth in associated revenues as a result (albeit from a low base). This includes a presence on the VSPs YouTube and TikTok to engage younger audiences, and the Newstalk app including radio, music playlists and podcasts. Regional stations, many of which have younger-skewing audiences, have also made efforts to expand digitally, with iRadio for example creating content across YouTube, TikTok and Instagram, having its own mobile app, and releasing clips from its programming as podcasts. This suggests that being a larger broadcaster, with economies of scale and in-house capacity and skills, is an important factor in being able to invest in digital.

It is likely that independent local stations may find it more challenging to exploit this digital opportunity, relatively speaking. This is because there are barriers to entry around digital such as having specialist staff or skills, and some smaller stations may find it harder to make the investments required to overcome these barriers under the current economic conditions. While maximising linear listening and broadcast advertising revenues might be a priority in the short-term, digitalisation may become a challenge over time if stations are not able to start planning for the transition. Partnerships can help to mitigate this for smaller stations, and there have been industry-wide initiatives; the Irish RadioPlayer app is a not-for-profit partnership between RTÉ and the Independent Broadcasters of Ireland (IBI) and allows users to listen live, catch up on programmes and view social feeds from the stations.

Given the likely future cost pressures and potential challenges around investing in digitalisation and diversification, notably for smaller local independent stations, it is worth considering whether further consolidation in the radio market is likely. Consolidation can bring many benefits in terms of greater consistency of profits, risk sharing,

[3] Central Bank of Ireland, Quarterly Bulletin No.1 2023, published 8 March 2023

economies of scale and ability to invest. As well as the usual considerations around competitive impact, retaining sufficient plurality at the local level, especially in news, would likely be one of the main questions for policy makers.

Possible short-term measures that could support the sector in 2023

The Sound & Vision Scheme is an important source of public funding for the Irish commercial radio sector. The Scheme was designed to support the BAI's objectives of increasing public access to high-quality and diverse radio and television programmes in Irish and English and supporting Irish culture and heritage. In total, across the last two editions of the Scheme, Sound & Vision 3 and 4, the BAI distributed a total of €10.1 million in public funding to the commercial radio sector, including through a COVID-19 initiative.

Relevant to the broadcasting sector as a whole, including commercial radio, we suggest that Coimisiún na Meán might consider how the application process and design of funding rounds in the Sound & Vision Scheme could be further enhanced and adapted to the characteristics of the different areas of the broadcasting sector, building on successful steps in this direction during Sound & Vision 4.

In addition to the Sound & Vision Scheme, the Future of Media Commission Implementation Strategy and Action Plan sets out that Coimisiún na Meán will, subject to funding, introduce six support schemes under the proposed new Media Fund. In this report we have focused on four of those schemes, which are relevant to news and to digital transformation. These are the Local Democracy, Courts Reporting, News Reporting and Digital Transformations schemes. While these schemes will function on a platform neutral basis, there is potential for commercial radio to avail of some funding. When the legislation to introduce the schemes is in place, it may be appropriate for the detailed design of these funds to consider the specificities of different areas of the media sector that might apply, such as their business models and editorial processes (for example, a broadcast project may involve a news reader while a print project may involve a sub-editor). These may then be taken into account in the design of, for example, a proportionate application process that it is appropriate and does not hinder any areas of the media from applying, whether some funding (notably from the News Reporting Schemes) may be awarded on a longer-term basis, and whether digital transformation funding awards may take account of the need to backfill staff to deliver projects plus existing activities, particularly in smaller media organisations.

Considerations on structure of the new levy/levies

We have set out observations that policymakers may consider as they develop the new levy structure and engage with stakeholders – around the qualifying income bands of the levy and the possibility of introducing new bands to reflect the market; and the definition of 'qualifying expenditure' as it is currently defined in the 2010 Levy Order. We recognise that making any changes would require a longer process, involving the adoption of an amended Levy Order.

Introduction

1 Introduction

The Broadcasting Authority of Ireland (BAI) commissioned Oliver & Ohlbaum Associates (O&O) to produce a report to assess the economic viability of commercial radio in Ireland, in response to a request from the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media ('the Minister') arising from debate in the Report Stage of the Online Safety and Media Regulation (OSMR) Bill in November 2022. The Minister undertook to request the BAI to carry out research on a range of issues linked to the financial viability of the commercial radio sector. This report sets out our review of recent developments in the European and Irish audio markets; costs, revenues and public funding for commercial radio in Ireland; our radio sector financial forecasts for 2023 and 2024; and opportunities and challenges for the commercial radio sector in the coming years. We then considered any short-term measures that could support the sector in 2023, and the possible structure of the new broadcasting levy or levies on regulated commercial radio services. In doing so, we have given consideration to the different segments of the commercial radio sector, in particular ownerships status as well as geographic reach and size.

1.1 Background

Radio is one of the most popular forms of media in Ireland and, as the Future of Media Commission Report noted, the commercial radio sector has the highest number of radio listeners in every age group[4]. The Report of the Future of Media Commission also recognised the wider cultural contribution and public value of commercial radio. It noted that commercial radio provides 'Public Service Content', such as news and information, and is highly trusted by audiences.

Attention turned to the economic viability of the commercial radio sector in the context of the OSMR Act, adopted in December 2022. One of the Act's most significant innovations is to establish a new regulator, the Coimisiún na Meán (CnaM) and to dissolve the existing regulator, the BAI. The Act provides for CnaM to be self-funding by means of an industry levy/levies, similar to the way the BAI is currently funded.

During the Report Stage Debate on the OSMR Bill in the Dáil on 30 November 2022, some Deputies spoke in favour of a reduction in the levy for commercial radio stations; a suspension for 2023 was also requested in the debate. This was in light of its public value and economic pressures on the sector from the COVID-19 pandemic and wider economic turbulence, and the impact of digitalisation.

The sector had received support in recent years: during the COVID-19 pandemic the broadcasting levy had been waived for the independent radio sector for the first half of 2020, which saved the sector €1 million. This was made possible by the combination of revisions to the BAI workplan for 2022 and resulting budgets cuts, and a contribution of €839k from the Exchequer. In recognition of the important role of the commercial radio sector in informing the public during the COVID-19 pandemic, following a Ministerial request the BAI also introduced a COVID-19 funding initiative under the Sound & Vision 4 Scheme, with rounds in 2020 and 2021. This initiative was part funded in 2020 by €2 million in Exchequer funding made available by the Minister and funded in 2021 by an additional €2.5 million in Exchequer funding.

While the OSMR Act 2022, as a piece of primary legislation, was not considered the appropriate mechanism to address these concerns, the Minister asked the BAI to assess the current economic environment and its impact on the commercial radio sector, providing independent data to support policy making.

As mentioned by the Minister in the debate, different policies and funding mechanisms may be relevant to the overall economic health of the commercial radio sector in the next few years. As well as horizontal support measures

[4] Report of the Future of Media Commission, based on JNLR 2020

like the Temporary Business Energy Support Scheme (TBESS), there are a range of sector-specific measures: grant funding under the OSMR Act to enable local broadcasters to provide training in good journalistic practices; funding allocated to the establishment of a Media Fund, to include a Local Democracy Reporting scheme and Courts Reporting Schemes; additional funding allocated to the Sound & Vision Scheme.

The BAI has since been dissolved and a new regulator, Coimisiún na Meán (CnaM), has been established.

1.2 Methodology

We structured our work in four stages. The first stage examined market trends to provide context; the second and third focused on financial analysis for the commercial radio sector and forecasts for 2023 and 2024; and the fourth considered pressures and opportunities facing the sector and offers some policy observations and considerations around public funding mechanisms and the future structure of CnaM levy or levies, as informed by the previous stages.

Market context

The first stage aims to review current trends in the audio and radio industry in Europe and Ireland (Sections 2 and 3 of this report). Drawing on third party datasets, a literature review and our in-house knowledge, we analyse technological developments driving change in audio as a whole, followed by an overview of recent trends in the radio sector including competitors, changing listening habits, advertising revenues, and regulatory developments. Section 2 focuses on Europe while Section 3 focuses on Ireland.

Financial analysis

The second stage consists of the analysis of financial data (revenues, costs, profitability, public funding and levies) between 2019 and 2022 (Section 4). This uses data from the commercial radio stations and the BAI: the former completed a data request as part of this project providing 2022 financial data, data and information about funding, listening, staff, and answers to qualitative questions around the future of the station and public funding initiatives; the BAI shared with us the results of similar data requests for previous years (2019 to 2021). We verified reported costs and revenues data against company accounts as part of the project.

Forecast of Irish radio industry's revenues, costs and profitability

Building on our analysis of the current financial status of the Irish radio sector we then estimated its future performance (Section 5):

- We forecast forward historic listening and financial trends to develop forecasts for revenues, costs and profitability in the commercial radio sector in overall terms and considering specific segments (ownership, stations' reach/regionality). We then considered alternative macro-economic scenarios considering third party GDP and CPI forecasts
- We also carried out a series of interviews with radio stations (representing different types of ownership, reach/regionality and levels of revenue) and advertising buyers to test their market sentiment

Observations

The last stage (Sections 6 and 7) assesses the likely pressures and opportunities facing the commercial radio sector and particular segments, including structural challenges, and then sets out some observations on short-term measures to support the sector as well as broader considerations on the structure of the new levy/levies.

1.3 About O&O

O&O is a leading European independent advisor on the media, entertainment, and sport sectors, with a focus on policy, strategy, and commercial. We have an in-depth understanding of the competitive dynamics of the radio, TV, news, music and online sectors, across Europe and globally. Our exclusive focus on the media means we have a detailed knowledge and understanding of the forces driving change in the radio sector, and what this means for policy and regulation.

We have worked extensively on issues relating to audio and radio market trends and regulation. We have recently contributed to a review for the European Commission of the economic viability of the news media sector across Europe, including radio news. We understand the dynamics of the audio market more generally, having forecast trends, challenges and opportunities for the European radio sector to 2030 for the European Broadcasting Union (EBU); worked on major reviews of the podcast landscape, key players, and identification of opportunities, for European PSM and commercial radio groups; advised the BAI on various previous public service broadcasting reviews; carried out several radio production cost benchmarking assignments and programme supply reviews for the BBC in the UK; supported commercial radio licence renewals; and advised Spotify on multiple projects around product development.

Beyond our radio and audio work, O&O has advised global media, entertainment, telecoms and tech groups across audiovisual, entertainment and sport, including sports rights valuations, channel carriage valuations, and strategic support for broadcasters.

We started by assessing trends in the European market as a whole

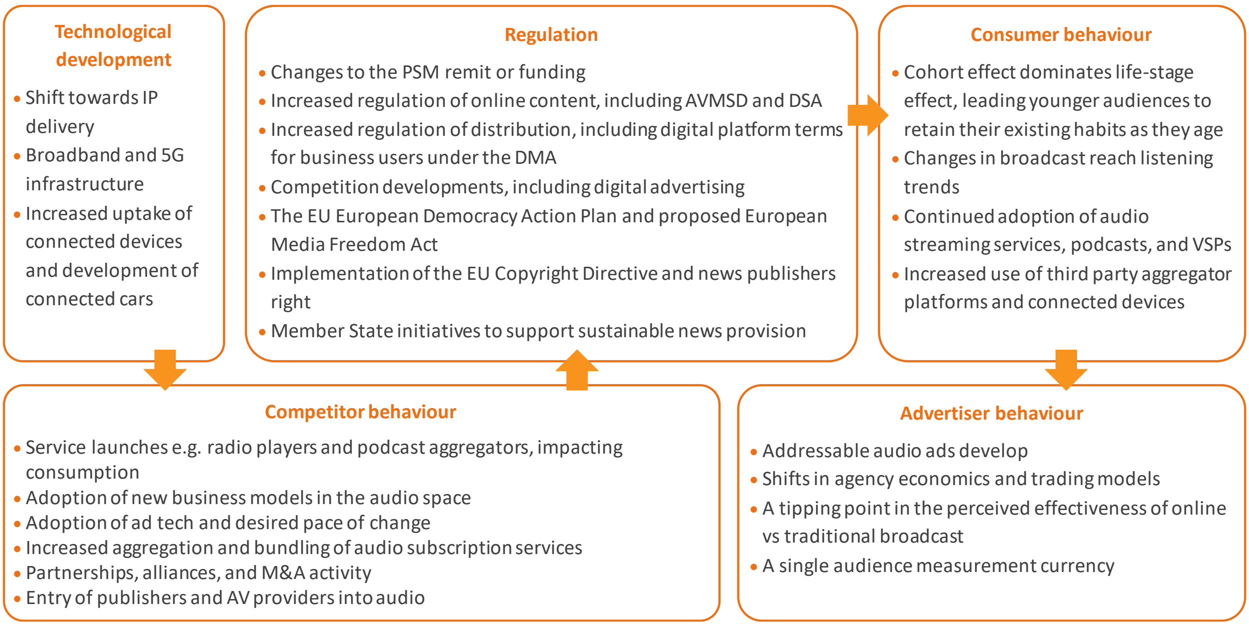
2 Radio market trends in Europe and Ireland

This section provides an overview of the audio and radio market in Europe, illustrating trends through the lens of *O&O's five forces for change*. These are the areas which affect the dynamics of the sector, and include: technology, competition, consumer behaviour, advertiser behaviour and regulation.

2.1 There are several drivers of change affecting the European radio sector

The five main forces driving change in the audio and radio sectors across Europe are set out below in **Figure 1**, along with examples of specific developments for each of them. The five forces are: technology, competition, consumer behaviour, advertiser behaviour and regulation.

Figure 1: O&O's five forces for change in the European audio and radio market

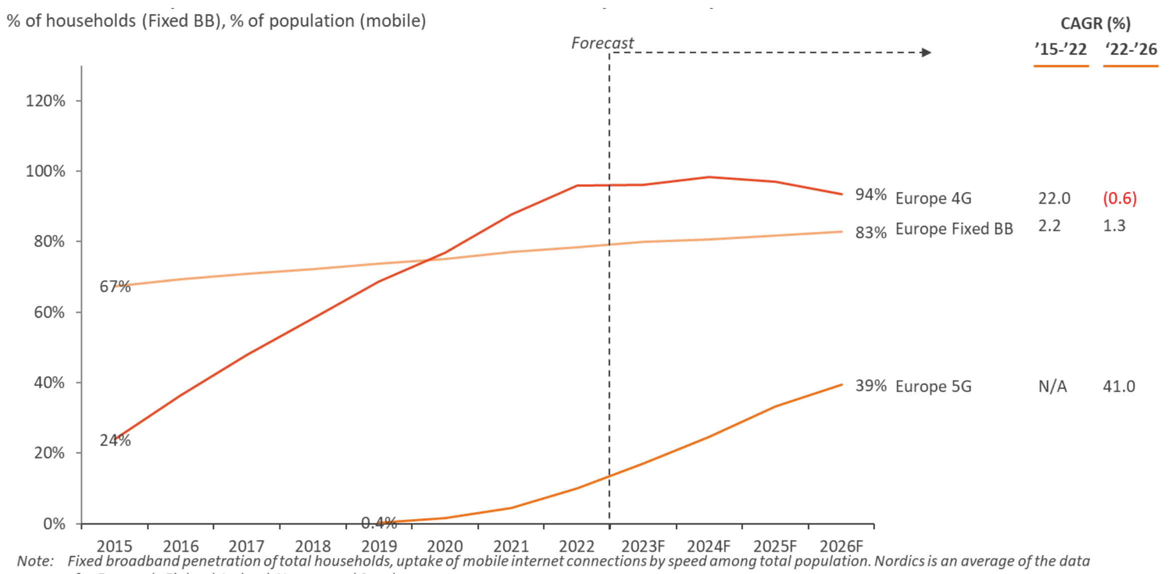


In the sections that follow, we have considered the main developments across these forces for change, setting out the evidence and associated trends. This provides important context for our review of the Irish market in the next part and provides some indicators for how the radio market is likely to continue to develop.

2.2 Technological development has brought fast and reliable infrastructure

Across Europe, as shown in **Figure 2**, fixed broadband penetration has risen steadily since 2015 (around 2 per cent year-on-year). The rate of growth is expected to slow as major markets are reaching full capacity, though developing markets continue to roll out new infrastructure. Mobile connectivity is close to saturation with 4G services now widely available across Europe and having peaked in many markets, after growing at over 20 per cent year-on-year for the last 10 years. The rollout of 5G services has occurred over the last three years, enabling penetration to grow from nothing and this has been tripling every year. Overall, there has been strong growth in mobile internet connection uptake since 2019, and the availability of 5G services is expected to grow, with take up increasing by around 40 per cent every year in the coming years.

Figure 2: Fixed broadband penetration and mobile internet connection uptake, Europe, 2015-26F



Note: Fixed broadband penetration of total households, uptake of mobile internet connections by speed among total population. Nordics is an average of the data for Denmark, Finland, Iceland, Norway and Sewden
Source: Dataxis, Oliver & Ohlbaum analysis

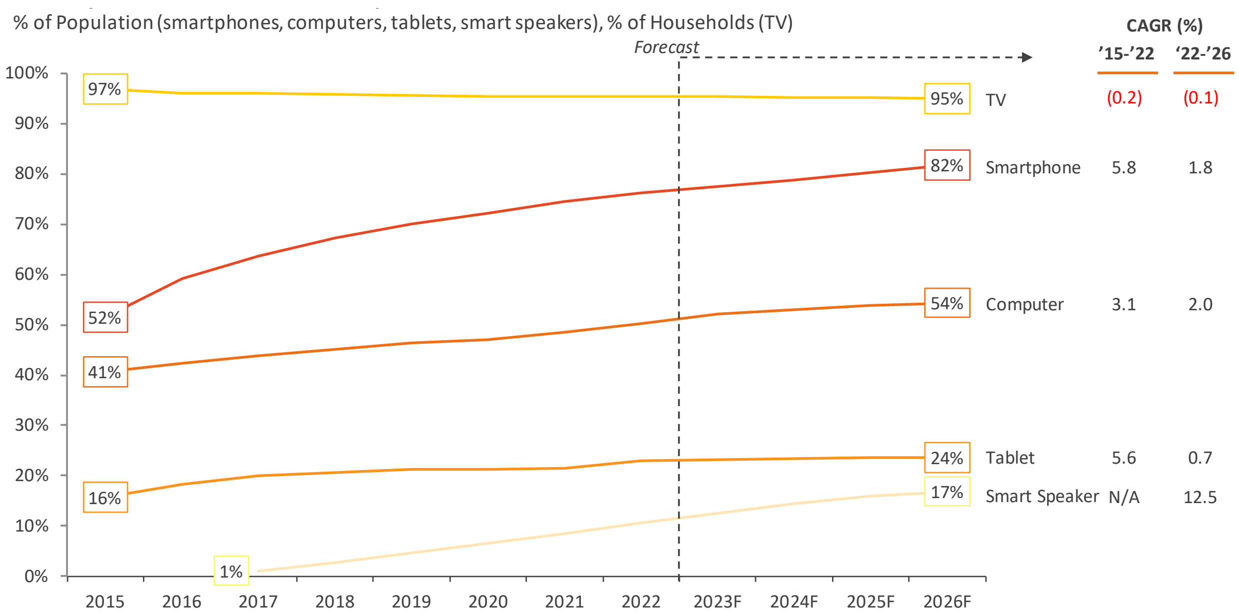
It is also useful to consider European markets that are close comparators for the Irish market. We have looked at the Nordic countries, which are of a similar size to the Irish market in terms of GDP, GDP per capita and challenges in getting broadband to people, but are at a more advanced state of their digital development. 5G penetration is expected to grow dramatically across the Nordic region, growing at just under 60 per cent year on year between 2019 and 2026, to reach 80 per cent penetration by 2026. This will be at the expense of 4G, which has already peaked and is beginning to decline. The region is also expected to achieve almost full broadband roll out, reaching 97 per cent penetration by 2026.

2.3 Improved infrastructure has supported the rising uptake of connected devices

Reliable and widely available infrastructure has allowed consumers to use connected devices more easily, driving their uptake. For several years now there has been widespread usage of tablets, smartphones and computers across Europe: in particular, over 80 per cent now have a smartphone. This device's uptake grew at over 5 per cent CAGR[5] in 2015-2022 (from around 50 per cent penetration) and is now forecast to slow down to a more moderate rate. As the functionality and ubiquity of smartphones has increased, along with falling mobile internet prices and better WiFi availability, smartphones are taking over some of the activities that would have been carried out on other devices. This includes computers and tablets but is also likely to include radio and TV sets for some audio uses, especially personal use and out of home (including in-car).

[5] 'CAGR' defined as Compound Annual Growth Rate

Figure 3: Device penetration, Europe, 2015-26F



Note: Smartphone, computer, tablet penetration of population, all TV penetration of households
Source: Dataxis, PwC Global Entertainment and Media Outlook: 2022-2026, Oliver & Ohlbaum analysis

New devices have also emerged; the increase in smart speaker penetration is particularly important for the future of the audio sector. As shown in **Figure 3**, of all devices, the penetration of smart speakers across Europe is expected to grow the most rapidly in the coming years and is forecast to grow at 12.5 per cent CAGR between 2022 and 2026. They are likely to have an important role in the future consumption of audio and radio content as listening gradually shifts from linear on a specific set towards digital/on-demand. While smart speakers provide a new opportunity for radio broadcasters to reach their audiences, they also represent a new intermediary and have raised questions about carriage arrangements, the flow of value, and the prominence of services.

These hardware developments coincide with and support the shift towards more personalised listening experiences being offered by audio services, which are tailored to the demands of the listener.

2.4 Digitalisation has brought competition amongst platforms

It is not only connectivity and device uptake that are changing the sector; digital technology has also brought opportunities for new companies to enter the audio market and created new ways to organise, distribute, and monetise audio content. Indeed, new companies have been able to enter at various stages of the value chain, bringing new formats and types of content that compete directly with radio – and traditional radio broadcasters are adapting to the new environment.

Traditionally radio broadcasting was available only via radio or digital television, but now online access is a common means of reaching audiences. As well as being a means of distributing live radio, online streaming has of course enabled the development of new formats which can both substitute and complement live radio. On-demand music and playlists – including from global services such as Spotify and Apple Music – are competing for consumers' time. Likewise, the emergence of podcasts is an opportunity for commercial radio but has also ushered in further new competition. This may come from other types of traditional media such as TV broadcasters and publishers looking to reach new audiences and deepen engagement with existing content. It may also come directly from creators; podcasts have removed the barriers to entry around speech audio content so that anyone can now post their work online and reach an audience.

With new competition, new approaches to monetisation have emerged – in particular subscription is now a common model for audio streaming services, whether stand alone or alongside an advertising-funded tier – while advertising and public funding remain important in radio. In fact, advertising remains the dominant model for audio overall despite the growth in subscription – we look at advertising in more detail in Section 2.8.

Figure 4 shows the breadth of online services offering audio products. Global players usually come from the US as this is by far the largest audio market. The major players are online platforms such as Google, Apple and Amazon, which operate as aggregators for different services such as audio streaming services, podcast aggregators, audiobook aggregators, video streaming platforms; audio may form just one part of their wider digital ecosystem. Audio streaming services, which also come from standalone players like Spotify and Deezer, typically offer a bundle of audio products (music streaming, playlists, podcasts) to attract and retain listeners and subscribers. Smaller services tend to focus on a niche e.g. Wondery, Tortoise, Audm, as a way to carve out a place in the market.

Figure 4: Overview of popular online audio platforms, by content type

Source: Oliver & Ohlbaum analysis

As we can see, a new picture is emerging for digital distribution in the audio sector. While commercial radio now has more ways to reach audiences with its content, it also faces greater competition and its services need to be available in more places than ever before.

2.5 Competition has also brought new formats and some consolidation

In this crowded environment, it is difficult to attract and retain consumers as they have many options for audio entertainment – not to mention increasing competition for their attention from other sources. New companies and traditional broadcasters alike are striving to establish their role in the new ecosystem. As well as the platform plays discussed in the previous section, this has led to innovation in content (including diversification of the global streaming services away from music, in search of higher margins and a means of differentiating their services), and M&A activity as companies seek to expand their roles in the value chain – whether horizontally or vertically.

Commercial radio has sought to expand through M&A, partnerships, and service development

As part of this, commercial radio has sought consolidation – for example Bauer has been active across Europe in buying local and regional radio groups to expand its presence. This includes its acquisition of Communicorp Group in Ireland in 2021, and the acquisition of Media Capital Rádios in Portugal in 2022. This means the group is now active in radio in nine countries spanning Ireland, Portugal, Sweden, Norway, Denmark, Finland, Poland, Slovakia and the UK.

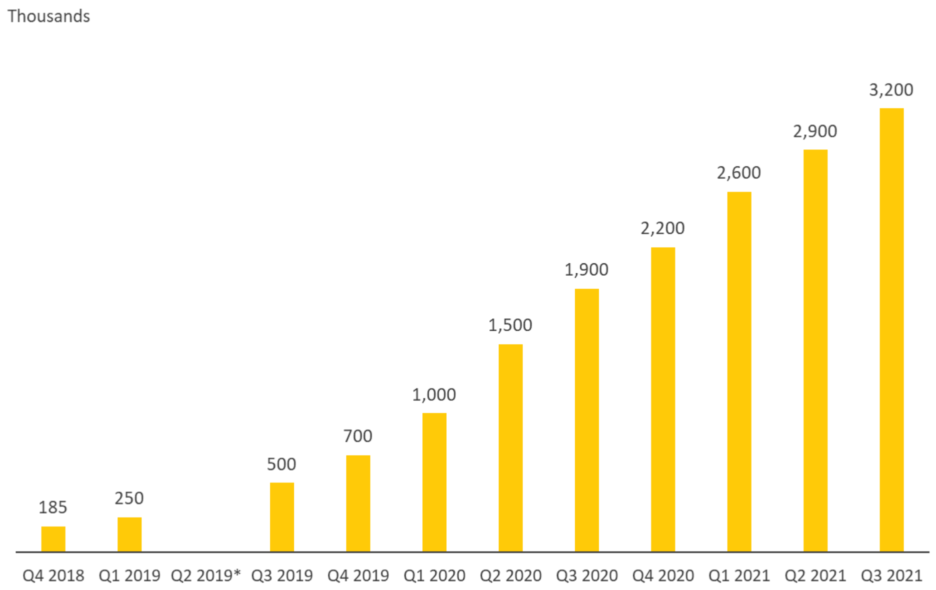
Another response has been to partner with digital audio platforms. For example, Antenne Bayern, a commercial radio station based in Germany, announced a partnership with Apple in 2015 to create a customised radio station that would be available exclusively on Apple Music. NRJ, a commercial radio station in France, has a partnership with Spotify that allows the company to create exclusive content for the streaming service. Another example is the content distribution deal between Audacy and Urban One: as part of the partnership, Urban One will add both live and on-demand premium content with its 57 stations to the Audacy digital platform (in order to reach 13 markets).

Commercial radio stations across Europe have also explored diversifying their revenue streams using different models. This has included growth in subscription radio stations, particularly for stations in Bauer's group. In 2021 subscription radio services launched in the UK with Bauer Media's Scala Radio, Jazz FM, Planet Rock and Kerrang! Radio all offering live radio with no ad-breaks. Through the premium subscription, online radio service subscribers gain access to 20 exclusive online radio stations across genres and music moods, more than 30 on-demand shows, documentaries, artist interview content and special programming.

Podcasts has been the main battle ground in terms of content format development

We already mentioned podcasts: initially a niche format, they are growing in popularity rapidly and now appeal to a large range of European consumers. Over the last four years for example, the number of podcasts available on Spotify has grown from around 200 to over 3,000.

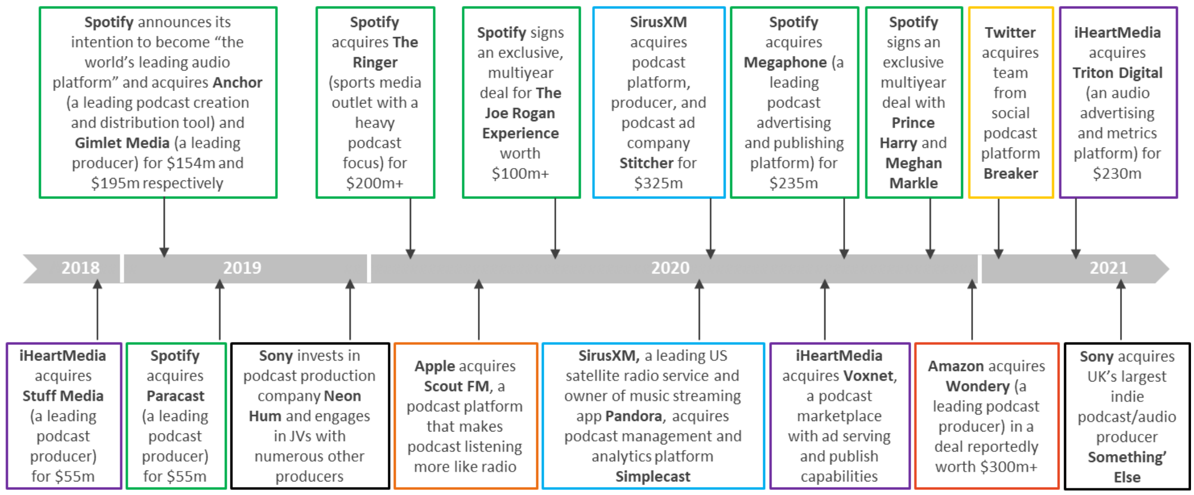
Figure 5: Number of podcasts on Spotify, 2018-21



*Note: *No data **May-October inclusive for both years. Focus on Spotify as it is the only service disclosing data*
Source: Spotify, Podchart, Oliver & Ohlbaum analysis

Over the same period, the audio industry has witnessed a boom in M&A activity – largely centred around the perceived opportunity in podcasts. This has been led by Spotify, SiriusXM and Amazon. The Swedish platform has acquired content creators and producers (Joe Rogan, Gimlet Media, Paracast, The Ringer) as well as podcast services (Anchor, Megaphone), investing $1bn in total. This has helped the company to reach around 200m premium subscribers (up from 75m in 2018) and almost €10bn in revenues (doubling the 2018 result).

Figure 6: Key M&A activity in the podcast market, 2018-21



Source: Public sources, Oliver & Ohlbaum analysis

Meanwhile, SiriusXM acquired Stitcher (a podcast platform and producer) as well as Simplecast (a podcast management platform) and Amazon has invested in podcasts (acquiring Wondery, a leading podcast producer) and in audiobooks (Audible). Other players have also been trying to find a way to establish their platforms, but tech giants (Spotify, Apple, Amazon, Google) with more resources have been able to establish themselves as clear market leaders across the various stages of the value chain.

2.6 Regulation could play a key role in shaping the digital landscape

There is currently considerable debate in the EU around the regulation of online platforms. Several pieces of incoming and proposed legislation will shape the future of the audio landscape, impacting the Irish market. These include the Digital Markets Act (DMA), Digital Services Act (DSA) and the proposed European Media Freedom Act (EMFA).

The EU Digital Markets Act (DMA) aims to establish a fair and competitive digital market in the European Union. Under the legislation, digital intermediaries that meet certain thresholds, such as having significant user numbers or revenues, may be designated as "gatekeepers" and subject to additional regulation. The legislation also covers virtual and voice assistants as a form of digital intermediary; the process of designating any gatekeepers under the DMA is not yet complete.

The DMA will have several important impacts on the digital audio ecosystem. It is intended to support the findability of radio services and content by listeners online, including via digital voice assistant platforms. It should also prevent digital voice assistant platforms that have gatekeeper status from self-preferencing their own radio-like services. Gatekeepers are also expected to be prevented from limiting or restricting access to third party radio services, charging for carriage, or inserting sponsorship or advertising around third party content services without the express consent of the radio provider.

Meanwhile the DSA introduces new regulation for 'intermediary services providers' including app stores, social networks and content sharing platforms, with mechanisms to address illegal content and services online, safeguards for online users whose content is removed or restricted by the platform, and transparency requirements around terms and conditions and algorithmic recommendations.

Lastly, the proposed EU European Media Freedom Act aims to build on the Digital Services Act by introducing additional safeguards around the removal of media content produced by media service providers that are subject to regulatory or self-regulatory standards that is legal but contrary to the platform's own policies. Absent systemic risks such as disinformation, very large online platforms shall inform the media service provider about the reasons before such a removal takes effect, and any media service provider complaints shall be processed as a priority.

2.7 In this more connected environment, consumers are forming new habits

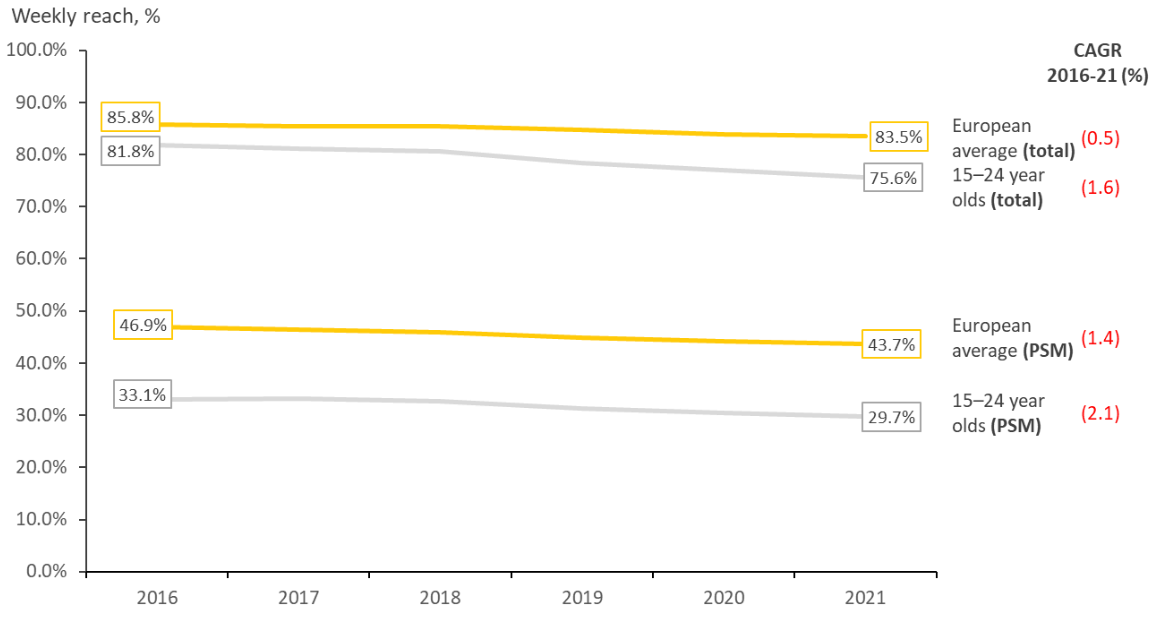
Consumption habits have inevitably changed as new audio services have become available and consumers' expectations have shifted.

Digital innovation and increased competition have seen a decline in traditional listening and reach

As digital platforms aggregate many services and offer a range of formats (music streaming, podcasts, Internet radio, audiobooks), positioning themselves as a one-stop shop for listeners, new listening habits have started to emerge. This has had an impact on radio reach and consumption across Europe.

In terms of reach, the European average was broadly stable in 2016 – 2021, declining by 2.3 per cent over the period. The decline for younger consumers (15-24 year olds) was slightly higher at around 6.2 per cent in total (**Figure 7**). Within this, it seems that commercial radio is favoured by younger listeners. We can see from the below data that while PSM radio reached c30 per cent of this group in 2021, total radio reach was c75 per cent, implying that commercial radio's reach is significantly higher.

Figure 7: Weekly radio reach, PSM vs total radio, Europe (30 EBU markets), 2016-21

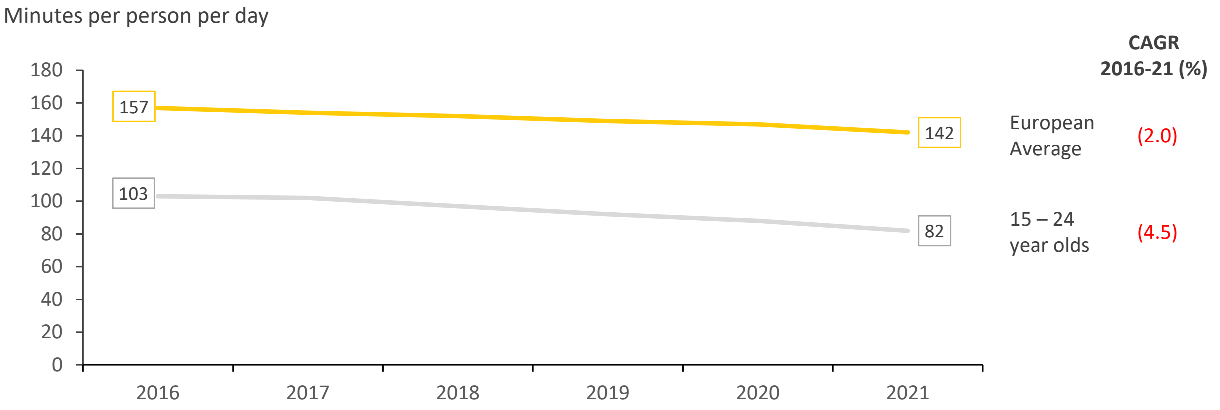


Source: EBU Audience Trends: Radio 2022, Oliver & Ohlbaum analysis

In terms of radio listening, as shown in **Figure 8**, this has been in slow decline across Europe, particularly amongst younger audiences. Consumption of radio among younger listeners is decreasing at a rate of around 4.5 per cent year-on-year, or a fall of around 20 minutes per day. However, it should be noted that Europeans are still listening to around 2 hours 20 of radio content daily on average and younger Europeans are still listening to around 1 hour

20. According to EBU data, this makes broadcast radio the third most consumed type of media in Europe, after linear TV and social media[6].

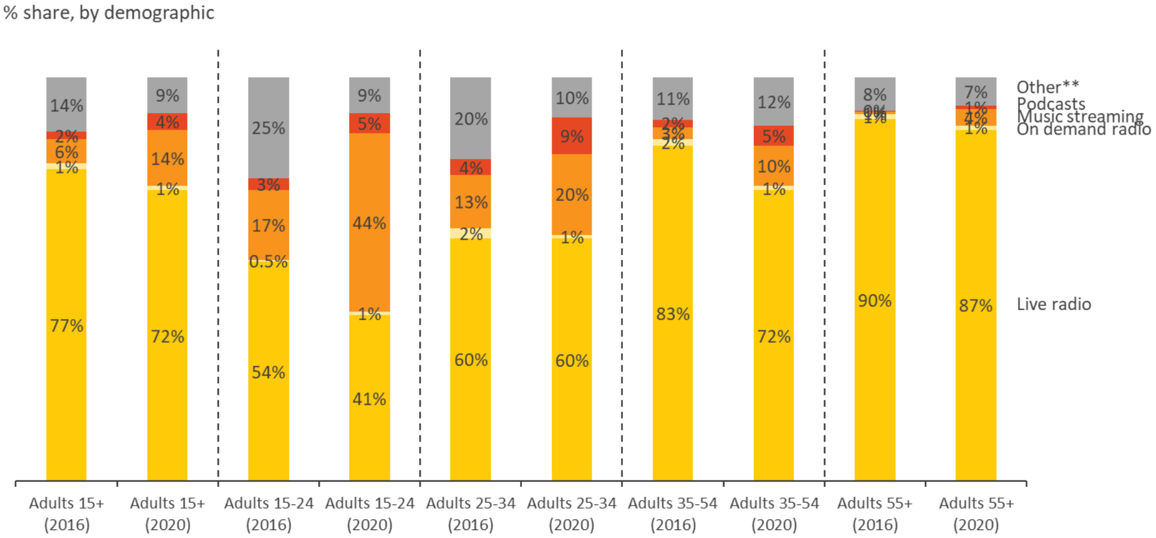
Figure 8: Average daily radio listening, Europe (28 EBU markets), 2016-21



Source: EBU Audience Trends: Radio 2022, Oliver & Ohlbaum analysis

Taking the UK as a European comparator that is exposed to global English language music and audio content, a decline in the proportion of time spent listening to live radio is visible across all demographics. **Figure 9** shows how this decreasing trend is especially true in two cohorts, 15-24 and 35-54 year olds who have shifted towards music streaming (and partly podcasts) between 2016 and 2020. Especially for the younger group, live radio and music streaming both accounted for around 40 per cent of listening. For 25-34 and 55+ year olds, live radio is stable, with respectively no change and a 3 per cent decrease between 2016 and 2020.

Figure 9: Proportion of time spent with each type of audio in the UK, 2016 vs 2020*



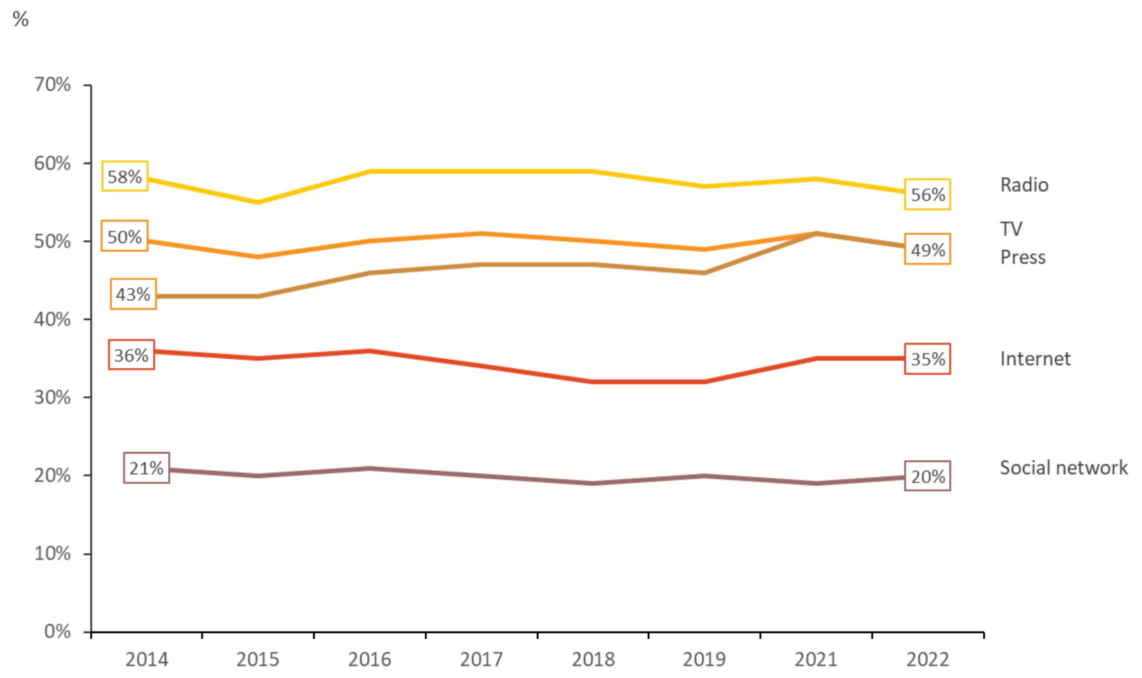
*Note: Data covers the UK *Pre-lockdown **Other includes digital tracks*
Source: Midas Spring Surveys 2016 and 2020, Oliver & Ohlbaum analysis

[6] EBU, Audience trends digital media consumption trends, 2021

While there are some challenges in terms of listening, radio remains the most trusted medium in Europe

Radio has topped the annual European Commission Eurobarometer survey on trust in different media sources for 12 consecutive years – putting it ahead of TV, the written press, the internet and social networks. In 2022, as shown in **Figure 10**, 56 per cent of the European population on average trust radio (as a medium and in the information it provides), compared to 49 per cent for both TV and press. Citizens in 26 out of 37 European countries trust radio the most, including Ireland, with trust in radio in Ireland ranking 4th highest among the 37 countries.

Figure 10: Trust in media across European countries, 2014-22



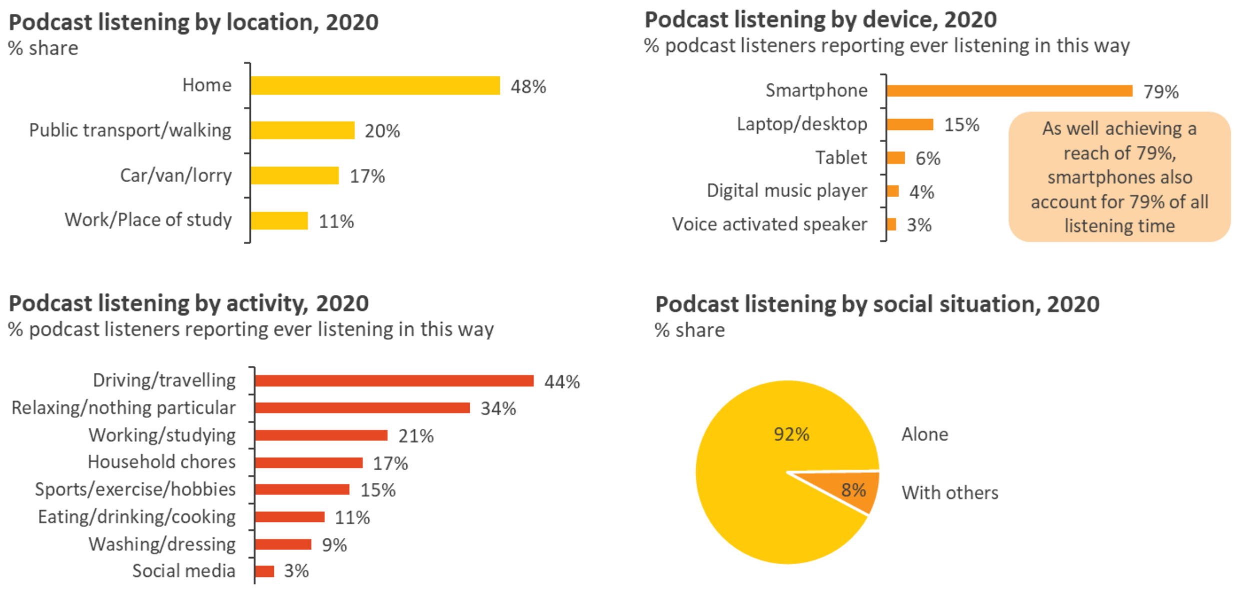
Source: EU Barometer 2022, Oliver & Ohlbaum analysis

On-demand listening has, of course, benefited from the decline in linear listening

As we have seen, over the last few years in Europe live radio has lost some market share, especially among young demographics, in favour of on-demand content (mainly music streaming).

Benefitting from a recent increase in use, especially among 25-34 year olds, podcasts are a specific type of on-demand content, different from music streaming, with their own audience and listening habits. As an international comparator, **Figure 11** below shows where, when and through which device listeners use podcasts in the UK. We can see how listeners mainly listen at home, when doing a wide range of activities, but also on-the-go or at work. A smartphone is the primary means of listening by far.

Figure 11: Podcast listening by location, device, activity and social situation in the UK, 2020



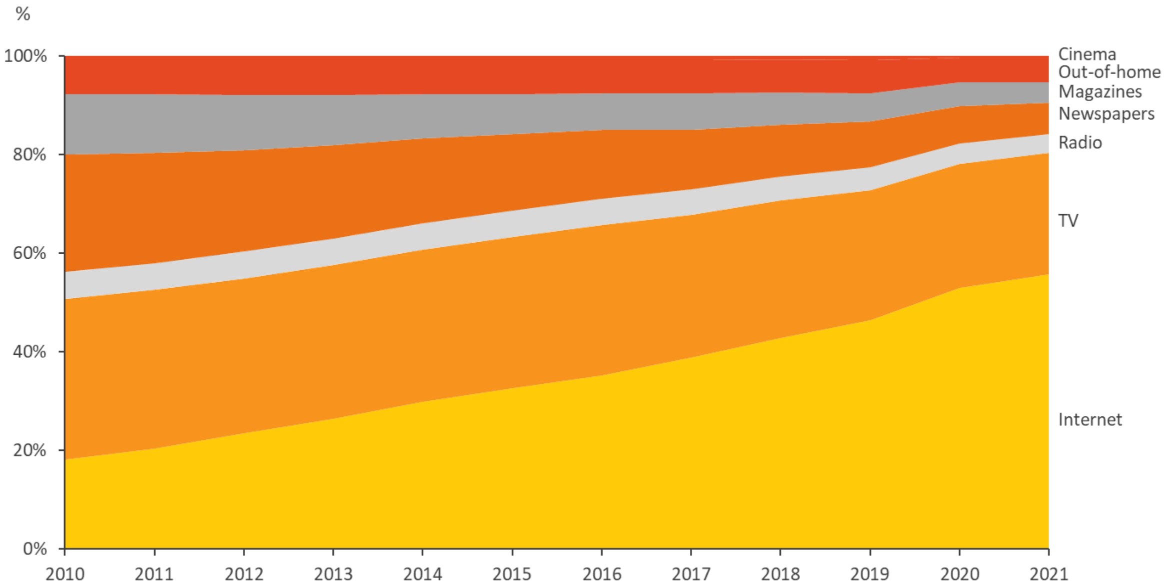
Note: 2020 data is pre-pandemic
Source: Midas Spring Survey 2020, Oliver & Ohlbaum analysis

This data was pre-COVID; the pandemic exacerbated these trends by disrupting some traditional broadcast listening moments in the day and making on-demand listening more relevant as many citizens spent more time at home. Various commercial radio broadcasters are investing in new podcast formats and talent, distributed through their radio players and/or third-party aggregators. Together with the availability of live and catch-up radio programmes online, this helps to support their resilience. Nonetheless, the capacity of broadcasters to make these investments likely varies.

2.8 Radio advertising spending has been robust, though digital is gaining share

The increased relevancy of the digital ecosystem and related services has pushed advertisers to consider their spending strategy, reallocating spend towards the most efficient media. Internet is clearly benefitting within the mix.

Figure 12: Share of total media advertising spend by type, Europe, 2010-21



Source: Zenith Optimedia Advertising Expenditure Forecasts December 2021

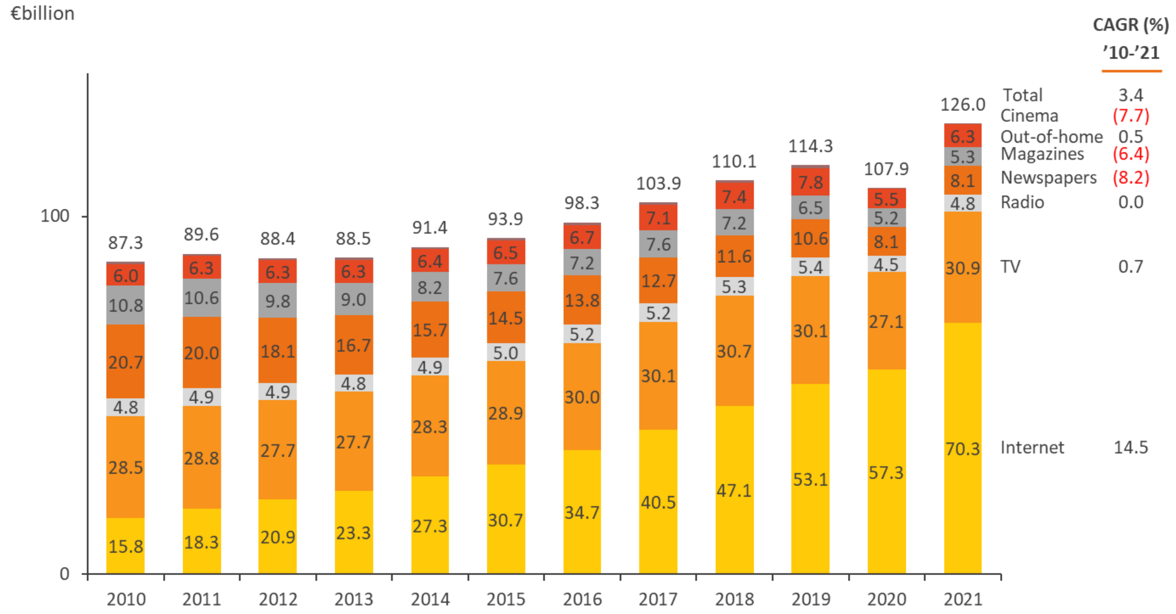
However, the total ad market is also growing and radio, with its slightly declining listening trend but still robust reach, remains resilient, despite internet's improving performance.

As seen in **Figure 13**, total European media advertising spend surpassed €100bn in 2017 after steady growth since 2010 (at just over 3 per cent year-on-year) driven by the Internet[7], which is up by almost 15 per cent per year and includes digital audio. As Europe is a mature advertising market overall, all the other media were stable or declined. Radio[8] has been broadly stable over the last 10 years. We can see how spend gradually grew from 2010 to 2019 as the market recovered from the effects of the 2008 economic crisis. We then see a dip in 2020 related to the COVID-19 pandemic. Spend in 2021 had bounced back, but not yet recovered to levels previously seen from 2014 onwards.

[7] 'Internet' includes display, social media, native, video, email, affiliate ads, digital audio

[8] Broadcast radio

Figure 13: Media advertising spend by type, Europe, 2010-21



Source: Zenith Optimedia Advertising Expenditure Forecasts December 2021

Radio is likely to remain important to advertisers thanks to its established role within media, providing a trusted and brand-safe environment, as well as its appeal to local advertisers (continuing to provide high reach, especially for older demographics, although low CPT). Despite their growth, podcasts are still marginal compared to broadcast radio; advertisers are likely to need time to trust the media and develop a podcast budget.

We then examined their applicability to the Irish radio and audio market

3 Trends affecting Irish commercial radio

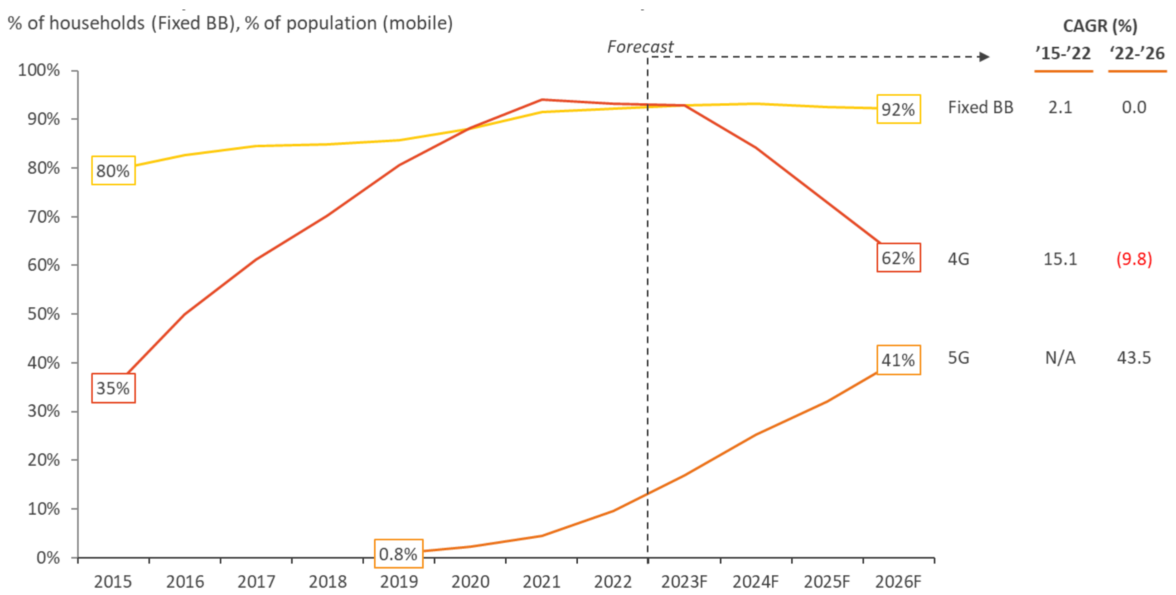
Having looked at overall European trends, in this part we consider the Irish commercial radio sector in the context of the wider radio and audio market. Where possible we will note similarities or potential differences from the European average.

Rather than revisiting the five forces for change reviewed in the previous part – which broadly apply to Ireland just as they do for the European market as a whole – we have drawn out the key data for Ireland, as well as setting out more information on the structure of the Irish radio sector.

3.1 Connectivity in Ireland is well developed

Thanks to past investments in connectivity, and on-going investment programmes such as the Government's National Broadband Plan (NBP) aimed at rolling out high-speed broadband to all premises in Ireland, connectivity has grown rapidly in recent years. This has made Ireland one of the strongest markets for broadband access in Europe, performing better than the EU-27 average[9].

Figure 14: Fixed broadband penetration and mobile internet connection uptake, Ireland, 2015-26F



Note: Fixed broadband penetration of total households, uptake of mobile internet connections by speed among total population
Source: Dataxis, Oliver & Ohlbaum analysis

Since 2018, fixed broadband penetration has risen steadily to around 90 per cent, and it is expected to plateau in the next few years. Ireland is following a similar 4G/5G connectivity arc to that seen in the Nordic region; **Figure 14** shows that as the rollout of 5G is accelerating. 4G services are expected to decline rapidly thanks to the rising deployment and uptake of 5G mobile networks in Ireland since 2019. The 5G increase is prompted by the European Commission's 5G Action Plan for Europe as well as a recently approved Digital Connectivity Strategy, which will help to connect homes in areas that are harder to reach with fixed line infrastructure.

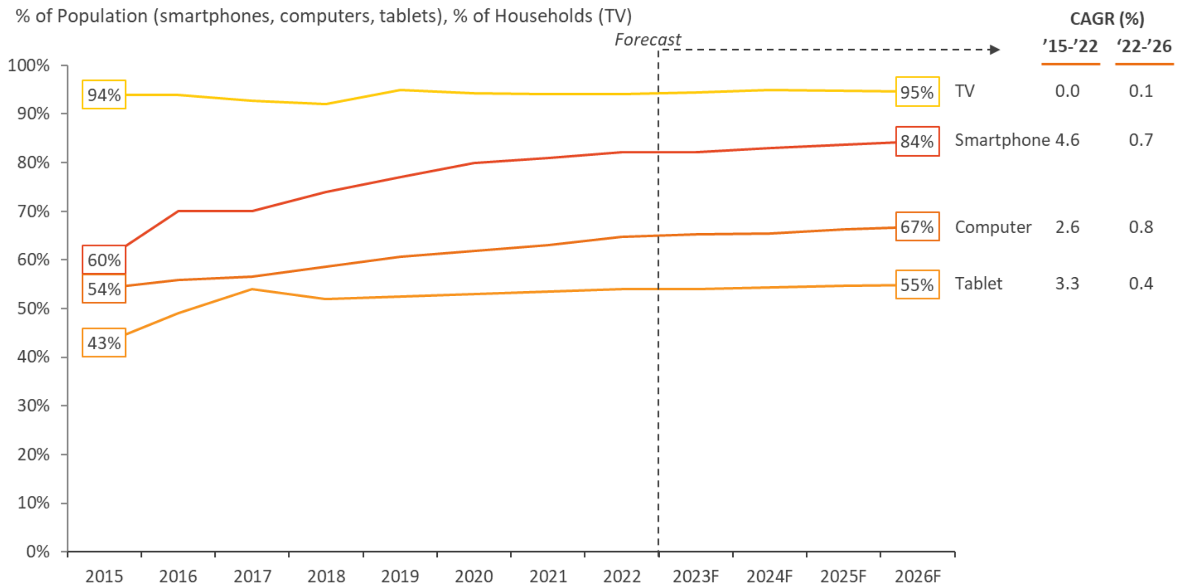
In terms of device penetration, TV sets remain present in virtually every home. Meanwhile, Ireland has taken up personal connected devices more quickly than the European average. Smartphones were more widely used in

[9] Eurostat – Households with broadband access - ISOC_CI_IT_H

Ireland in 2015 compared with Europe as a whole; today penetration is broadly similar. Tablet and computer penetration in Ireland has followed a similar pattern.

This means that Ireland is very well positioned in terms of technological development both considering infrastructure and hardware, allowing consumers to access to digital services and content in a relatively easy way.

Figure 15: Device penetration, Ireland, 2015-26F



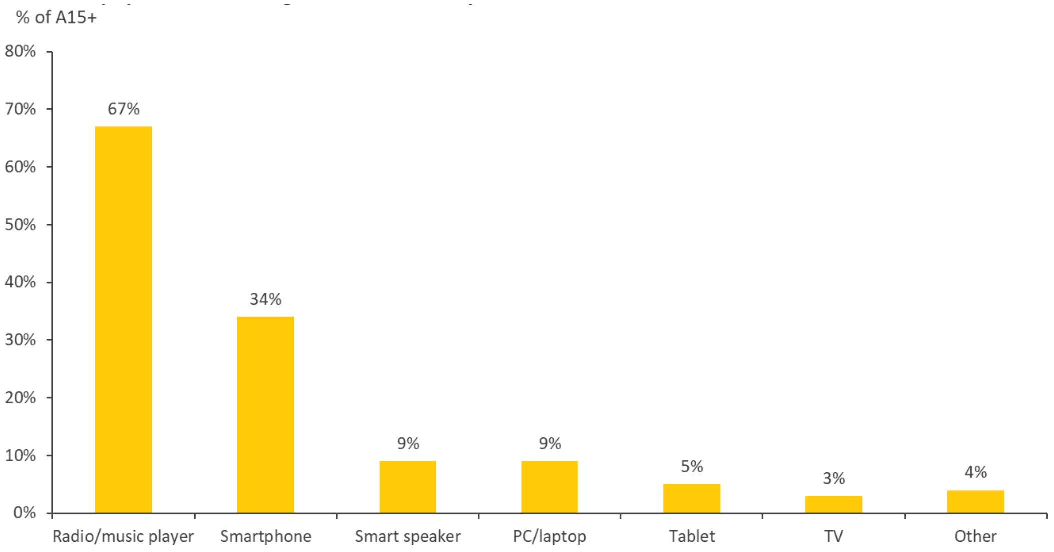
Note: Smartphone, computer, tablet penetration of population, all TV penetration of households
Source: Dataxis, Oliver & Ohlbaum analysis

3.2 Despite some listening decline, radio remains a very popular medium in Ireland

Despite the recent changes and trends we have seen for Europe as a whole, radio is extremely popular in Ireland. While the reach of radio in Europe and Ireland is very similar, at 84.3 and 81 per cent respectively in 2022, Irish consumers listen to considerably more radio than their European peers – on average over an hour and a half more per day – and this listening mostly occurs through traditional radio set devices.

As shown in **Figure 16**, two thirds of listeners use a radio set to consume audio content, followed by smartphones at 34 per cent.

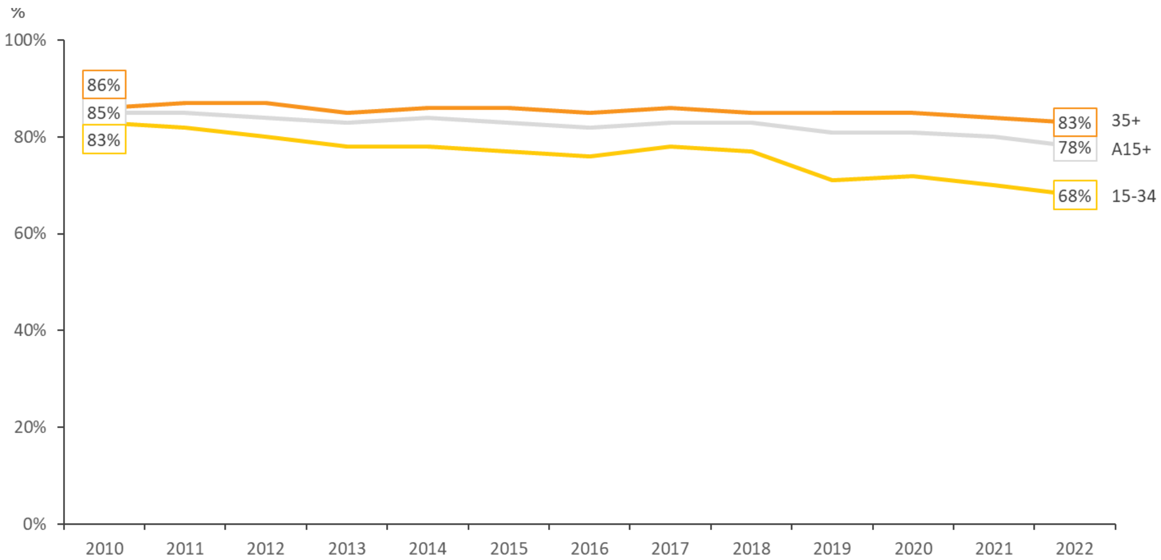
Figure 16: Share of population listening to audio media, by device, Ireland, 2022



Source: JNLR 2022-2 Audio Module (Apr'22 to Jun'22 – 3 mth data), A15+

As we see in **Figure 17** daily radio reach is high in Ireland across all age groups, despite a slight decline especially among young people. In the last ten years, daily reach among adults 35 and over has declined mildly, while the decrease among listeners aged 15-34 has been a bit more pronounced. This is likely because these younger audiences are moving over to other audio formats and platforms. In 2021, JNLR reported that 58 per cent of consumers aged 15-24 listened to a music streaming service daily, compared to the national average of 25 per cent[10].

Figure 17: Daily radio reach by age group, Ireland, 2010-22



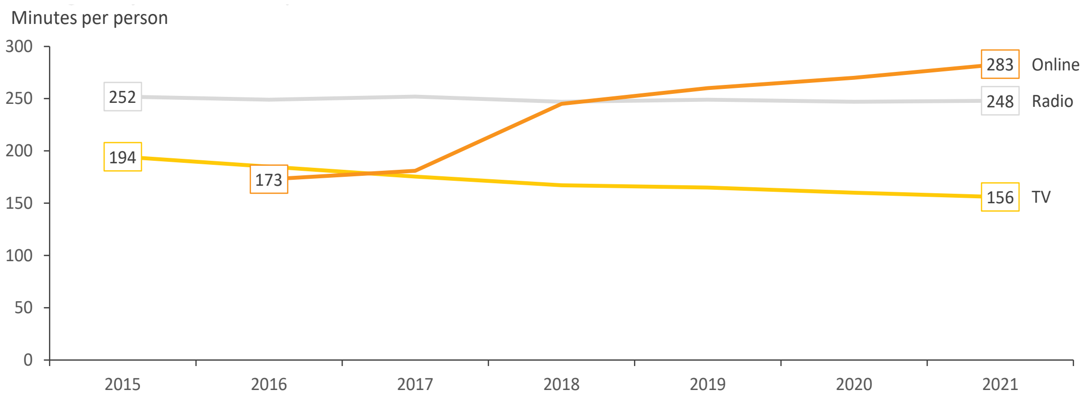
Note: Daily reach – average weekday "yesterday listenership" – any radio
Source: JNLR

As **Figure 18** shows, radio still is still heavily consumed in Ireland, at 262 minutes per day in 2021. This has remained consistent in recent years and compares favourably to the European average (142 minutes). Ireland is also unique

[10] Radio and the Irish Audio Market, JNLR – August 2021, JNLR, Ipsos MRBI

among its European counterparts for consuming more radio than television content; looking again at 2021, while Europeans spent on average 142 minutes listening to radio daily, they spent an average of 216 minutes watching television content, according to EBU data[11]. This is the inverse of the pattern in Ireland: Irish viewers only spent 156 minutes watching TV in 2019.

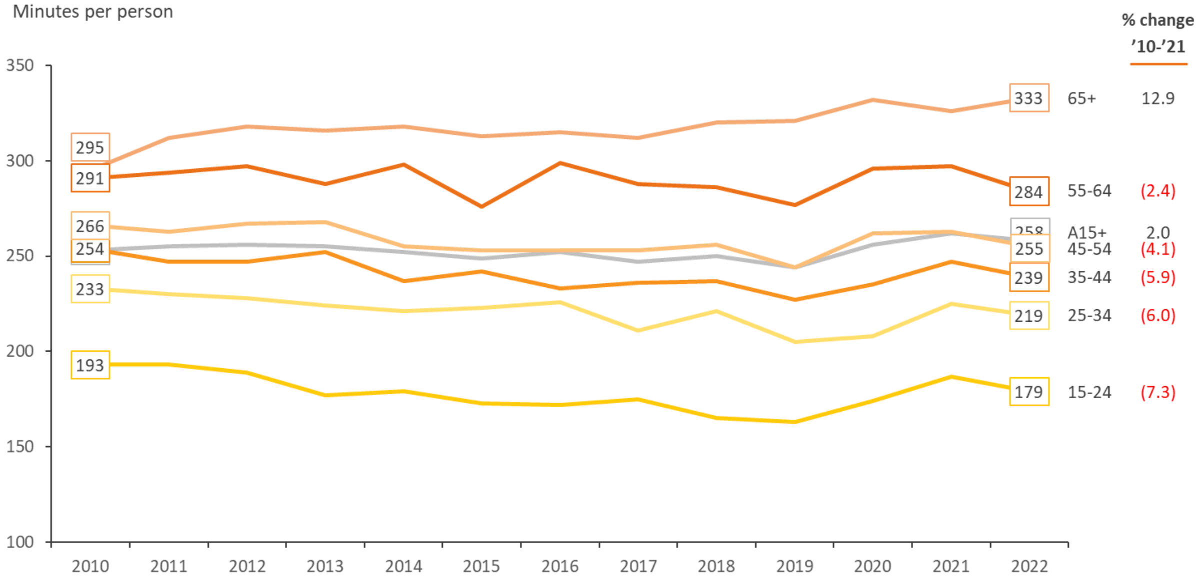
Figure 18: Average daily media consumption time, Ireland, 2015-21



Note: Average daily media consumption time
Source: JNLR, TAM Nielsen Zenith Optimedia

Overall radio has shown in terms of reach and consumption that is it a very resilient medium in Ireland and is yet to be significantly impacted by the growth of online content and services. Breaking down average daily live radio listening time by age group, however, we can see that radio is listening is growing among the older age group aged 65+ while among all younger demographics consumption is still high but declining over time – and this trend becomes more marked for each age group (as age decreases).

Figure 19: Average daily live radio listening time, Ireland, 2010-22



Note: Weekday listening, Irish stations, 7am-midnight
Source: JNLR

[11] EBU, TV audiences. 2021

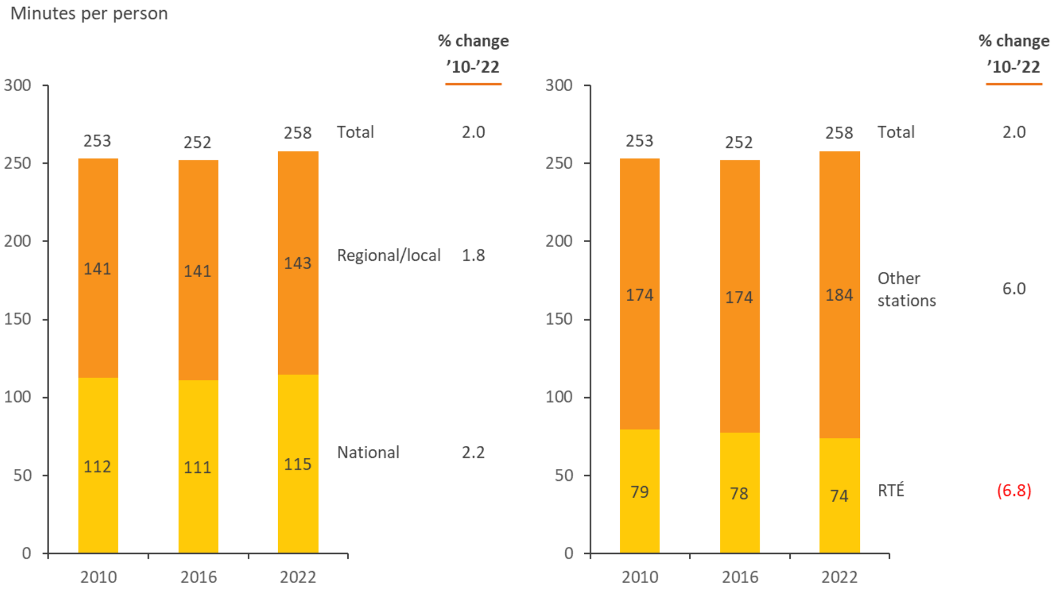
3.3 The market is made up of PSM, commercial groups and independent commercial radio

The Irish (FM) radio market is characterised by the presence of a PSM, RTÉ, a commercial radio sector, and community radio. CnaM awards contracts for the non-PSM commercial and community radio services. The CnaM's licensing activities are underpinned by the objectives set out in the BAI Broadcasting Services Strategy and the Broadcasting Act 2009 as amended. When formulating licensing plans, CnaM may undertake sectoral impact assessments and public consultations, in particular on the make-up of franchise areas and having regard to factors such as diversity, plurality, economic viability and spectrum availability.

Stations in the FM commercial radio sector can be differentiated by ownership status and by regionality. There are two larger groups – Bauer Media Group, which became the largest radio group in Ireland following its acquisition of Communicorp Group in 2021 and operates national, regional/multi-city and local stations; and Wireless, which owns local stations across the country. There are also regional, multi-city and local stations – a list of the stations that make up the market are included in Table 11 (see Appendix).

Looking at average daily live radio listening time by broadcaster type, RTÉ is the largest radio broadcaster and accounts for around one third of total listening time, but its share has reduced steadily over the last ten years. If we segment listening by national vs regional and local broadcasters, we can see that the former has a large market share – as is to be expected – but that in Ireland there is space for the latter, which account for slightly more than half of total listening time (and both types of broadcasters have grown total listening time steadily over the last decade).

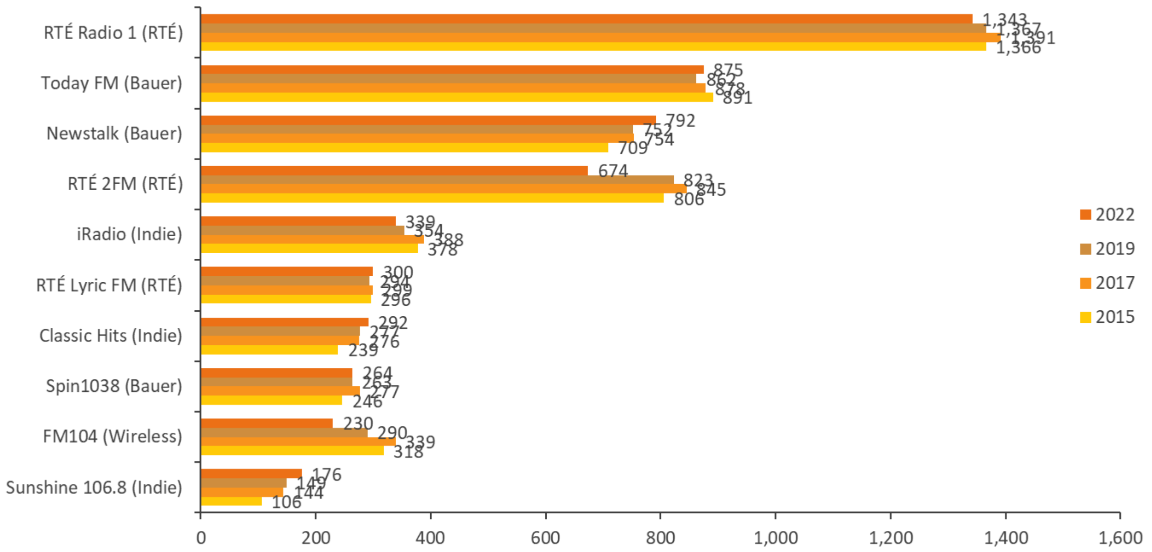
Figure 20: Average daily live radio listening time, by broadcaster type, Ireland, 2010, 2016, 2022



Note: Weekday listening, Irish stations, 7am-midnight
Source: JNLR

RTÉ Radio 1 is the most listened to station in the country, with a weekly reach of 1.3 million; this level has been consistent since 2015. Considering commercial radio broadcasters, Bauer has the next highest reach with its stations, Today FM and Newstalk, reaching weekly, respectively, almost 900k and 800k listeners. Among the top 10 radio stations, there is another Bauer-owned radio station (Spin1038), a Wireless-owned station (FM104, with over 300k weekly listeners, up from 230k in 2015) and independent outlets such as iRadio, Classic Hits and Sunshine 106.8 with comparable market shares (weekly reach around 200k listeners).

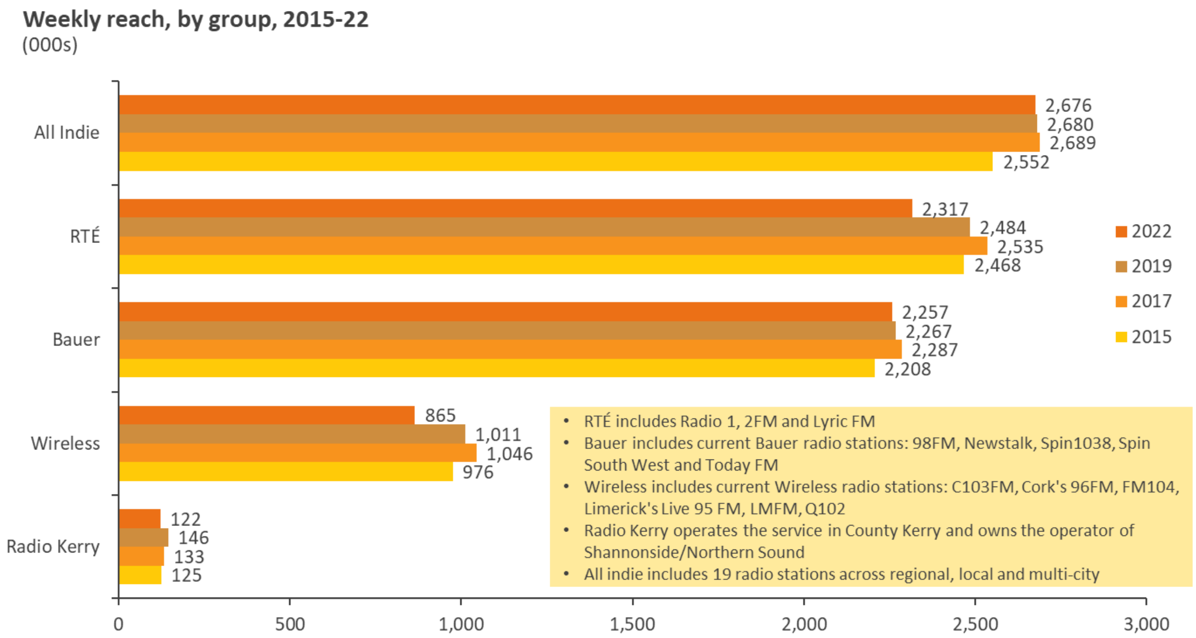
Figure 21: Weekly reach, by station, Ireland, 2015-22



Source: JNLR

In terms of weekly reach by group over the last seven years, Bauer is by far the main commercial group: in 2022 the five Bauer-owned stations posted an aggregate weekly reach of around 2.2 million listeners. This was second to the public service media radio broadcaster RTÉ, with 2.5 million.

Figure 22: Weekly reach, by group, Ireland, 2015-22



Source: JNLR

Wireless attracts a smaller audience than Bauer with around half of the weekly reach across its six stations. It should also be noted that the areas served by Wireless' outlets tend to be local such as Dublin's Q102 and FM104 and Cork's 96FM. Radio Kerry operates the local radio service in County Kerry and owns the operator of local radio station Shannonside/Northern Sound, delivering over 120k listeners per week. Among the 19 independent radio stations, iRadio is the largest player with over 300k listeners per week reached by its regional network. Classic Hits is another relevant player thanks to its multi-city presence.

3.4 Commercial radio plays an important and distinctive role in the market

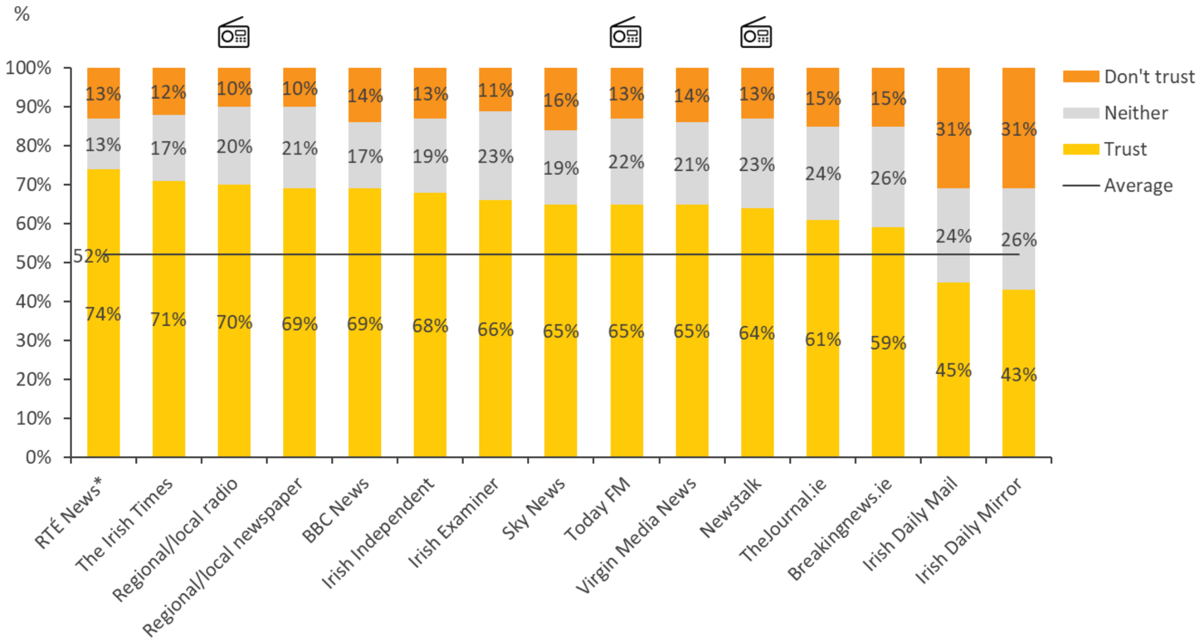
Commercial radio in Ireland provides a distinct and complementary service to both PSM radio and community radio. As recognised by the Report of the Future of Media Commission, commercial radio plays an important role in delivering media plurality across Ireland, including access to Public Service Content, notably news and information, Irish language content (e.g. from iRadio[12]), and a mixture of contemporary music and talk. Programming in additional genres such as documentary and live music may be supported through the Sound & Vision Scheme. Different types of commercial radio station play distinct roles – independent local stations have a particular role in providing local news and information, including reporting from local sporting events, and advertising for local businesses.

Commercial radio is a trusted source of news

Overall, radio remains the most trusted medium in Ireland, with the Eurobarometer survey finding that in 2022 radio was trusted by 80 per cent of the Irish population, compared to 66 per cent for TV and 52 per cent for press. Commercial radio across Ireland is widely regarded as vitally important to democracy and keeping the public informed and engaged. As shown in the Reuter's Digital News report, regional and local radio are among the most trusted sources for news in Ireland. The overall trust in news in Ireland is relatively high, at 52 per cent (compared to 34 per cent in the UK for example), and trust in regional and local radio is well above this, at 70 per cent, making it narrowly the third most trusted source of news in the whole country. National commercial radio stations also perform strongly in terms of trust in news, with Bauer Media Group's Today FM and Newstalk on 65 and 64 per cent respectively, both well over the national average. Trust in the national PSM, RTÉ, is the highest of all media in Ireland, at 74 per cent across both TV and radio.

[12] NIU Galway's 2021 Research on Use of the Irish Language on Radio report showed that iRadio, the largest independent radio station in Ireland reported the highest level of Irish language programming of any participating station, a total of 36 hours and 30 minutes per week

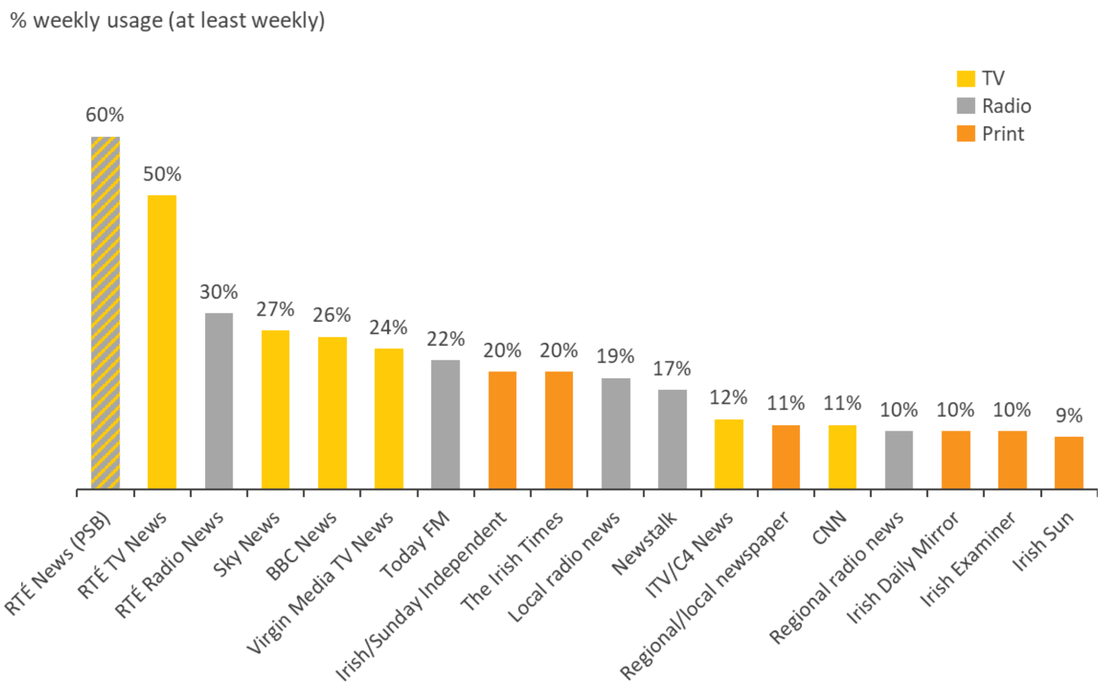
Figure 23: Brand trust scores, Ireland, 2022



*Note: Trust = % scored 6-10 on 10-point scale. Don't trust = 0-4, Neither = 5. *RTÉ News is across radio and TV*
Source: Reuters Digital News Report 2022

When considering weekly reach for different news sources, RTÉ News is still the most consumed medium at least weekly (60 per cent overall): TV (50 per cent) is ahead of radio (30 per cent). In terms of radio, this is followed by Today FM (22 per cent), local radio stations (19 per cent) and Newstalk (17 per cent).

Figure 24: Weekly reach offline, Ireland, 2022



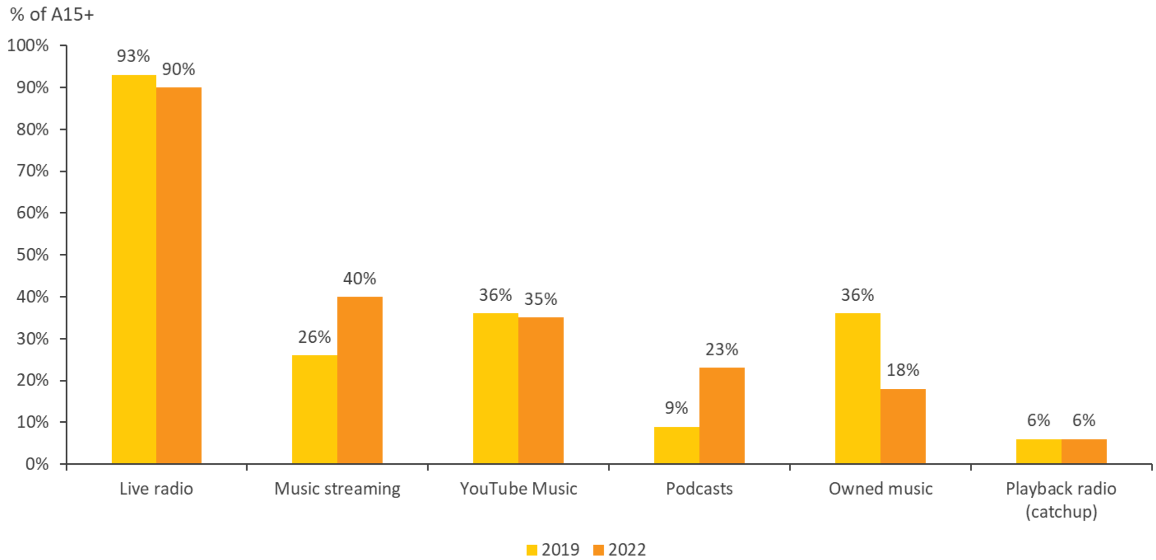
Source: Reuters Digital News Report 2022

Overall radio is thus an important medium for trusted news, and news is an important feature of the overall commercial radio offering.

3.5 The rise of digital audio could present challenges as well as opportunities for traditional radio broadcasters

Live radio is by far the most listened to audio type in terms of weekly listening share, with 90 per cent of listeners spending time on it each week. Despite the increasing usage of digital sources in Ireland, live radio is thus still very relevant, with music streaming reaching less than half of its share. Podcasts are behind music streaming and YouTube Music in terms of listening share, but this has experienced rapid growth and more than doubled in three years.

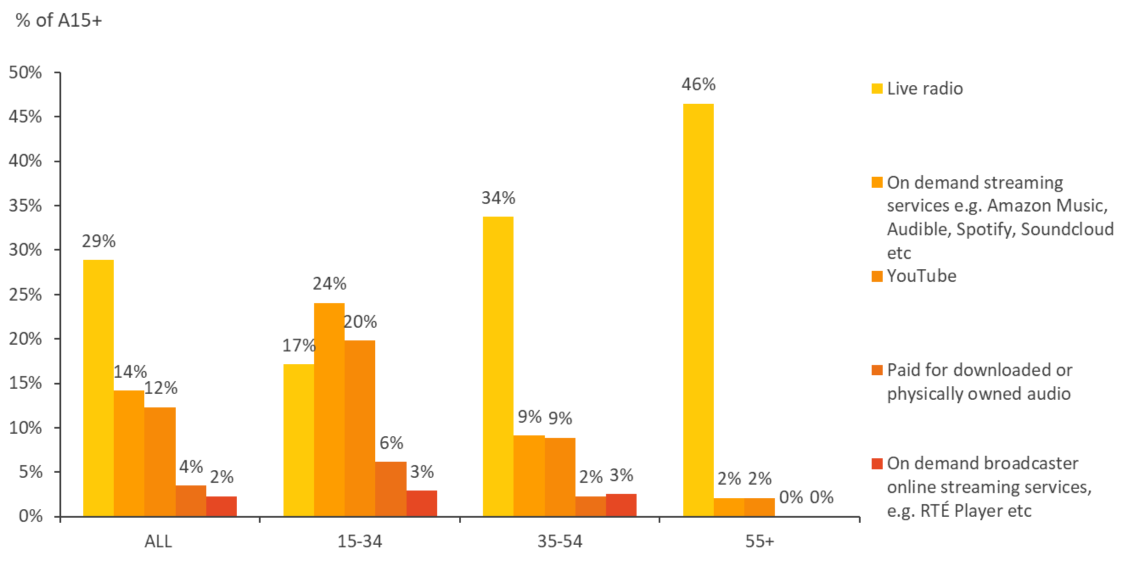
Figure 25: Weekly listening share of population, by audio type, Ireland, 2019 vs 2022



Source: JNLR 2022-2 Audio Module (Apr'22 to Jun'22 – 3 mth data), A15+

As one would expect, this trend differs by age group. Live radio is the preferred audio type on average, and is the leading medium for 35-54 year olds (34 per cent) and those aged 55+ (46 per cent), whilst younger listeners use music streaming services the most (24 vs 17 per cent for live radio).

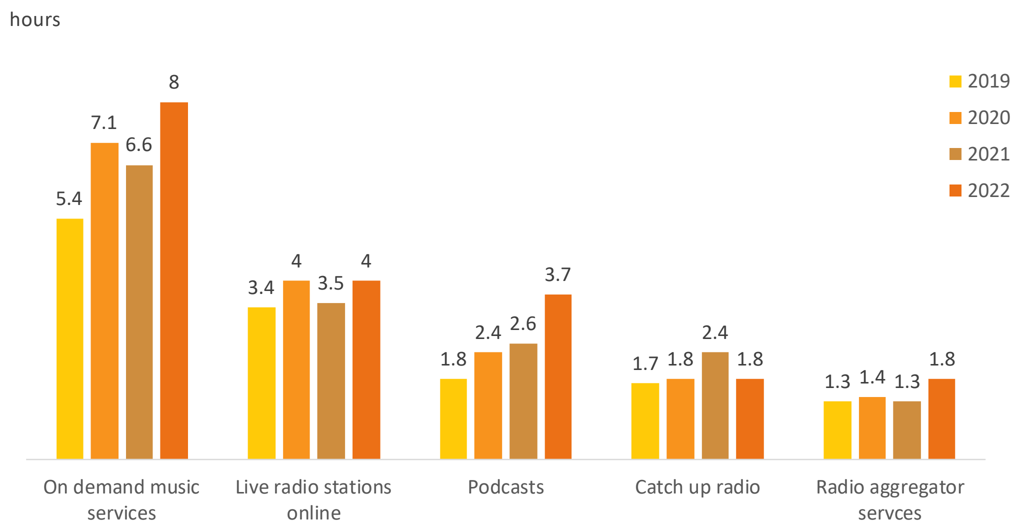
Figure 26: Most frequently used method for consuming audio content, by age, Ireland, 2022



Q: 'How frequently do you listen to audio content through the following methods?', those who responded 'most frequently'
Source: Fly Research (n = 1,002), Oliver & Ohlbaum analysis

Although live radio remains strong in Ireland, it might experience the same trend visible in other major European markets, where use of digital audio services is far higher. As shown in **Figure 27**, listening across all forms of digital audio has increased since the pandemic, with Irish listeners particularly shifting towards on demand music services and podcasts, with these two types of content increasing consumption by 14 and 27 per cent respectively between 2019 and 2022. Irish listeners are also increasing their consumption of online radio, either through live listening, catch up radio, or through radio aggregator services, although the growth for these content types is less dramatic, at 6, 2 and 11 per cent respectively between 2019-2022.

Figure 27: Weekly hours of digital audio content consumed by content type, Ireland, 2019-22

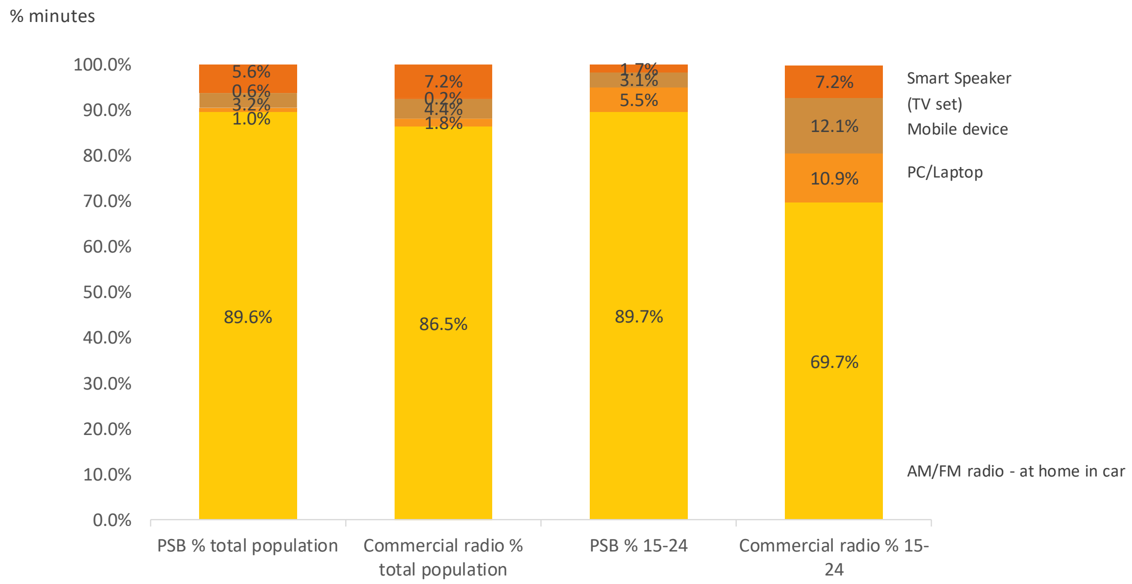


Note: Daily reach – average weekday "yesterday listenership" – any radio
Source: JNLR

As such, live broadcast radio is likely to lose its primary position in the long term, and the commercial radio sector needs to plan for this. This is especially true considering that current younger people, the future older people, are already familiar with digital offerings and they are likely to retain their habits as they age. Research from IAB Ireland shows that average weekly consumption of digital radio has grown from 13.6 hours in 2019 to 19.3 hours in 2022, and that 45 per cent of 18-34 year old digital audio users believe that they listen to less traditional radio FM broadcasting now compared to a year ago.

It is also interesting to consider the devices used. As shown in **Figure 28**, the most common device for accessing commercial radio is an AM/FM radio, however, younger users also access commercial radio on a diverse set of connected devices: mobile (12.5 per cent), laptops (10.9 per cent) and smart speakers (7.2 per cent). We can also see that commercial radio listeners are more likely to use connected devices than PSM listeners. Given the inevitable continuation of the transition of overall listening towards online, and while there may be demographic differences between stations justifying some difference in pace, in general the sooner commercial radio can establish itself online and adjust to the different economics in the online space, the better.

Figure 28: Device used to access different types of radio, by different age groups, Ireland, 2022



Note: Commercial radio is the average of the top 6 commercial stations for that demographic group
Source: JNLR, Oliver and Ohlbaum analysis

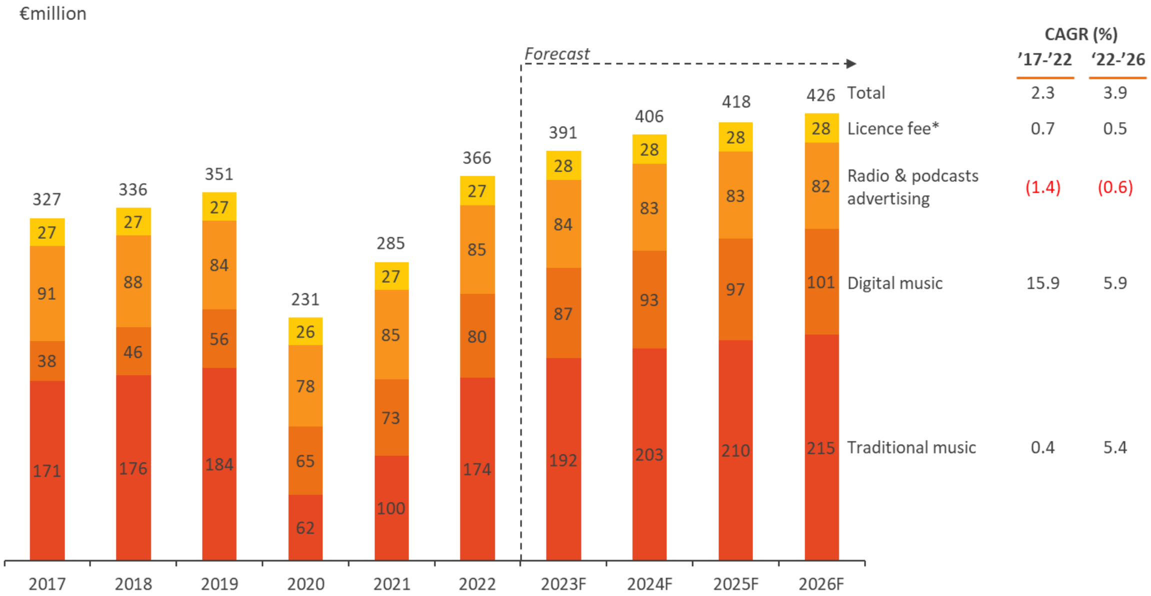
3.6 Audio sector revenues are expected to grow, but radio advertising is coming under some pressure

The audio sector in Ireland is small in absolute terms due to the size of the market, but not so small when framed in relative terms e.g. considering its GDP, population and the fact that there is a smaller gap between the sizes of the TV and radio markets in Ireland than in other European markets (e.g. the Irish radio market is only 8.5 times smaller than its TV market, whilst in the UK it is 11 times smaller[13]).

To represent the size of the Irish market, we take into account both PwC (net of commissions) and Zenith data (gross of commissions): the former to show radio as part of the audio sector, the latter to show radio as part of total advertising spend.

[13] PwC *Global Entertainment & Media Outlook 2022-2026*

Figure 29: Audio sector revenues, Ireland, 2017-26F



Note: **Proportion of total licence fee revenues allocated to radio as estimated by PwC*
Source: *PwC Global Entertainment and Media Outlook: 2022-2026, www.pwc.com/outlook, Oliver & Ohlbaum analysis*

When considering the audio market as a whole, we include all of the forms of audio which could be considered to compete with radio; the health of the audio sector as defined could therefore be thought of as an indication of the health of the available market for radio. That said, one must bear in mind that there are different business models at play and, as we have seen, the emergence of digital audio products could be seen as competition for radio.

As shown in **Figure 29**, traditional music[14] is the primary revenue stream: it showed signs of growth right before the pandemic but the related uncertainty and the halt to live events had a significant impact, reducing revenues by two thirds before they rebounded to pre-pandemic levels in 2022. From now on, revenues are expected to grow at over 5 per cent a year. Having discussed the rise of music streaming (and related platforms), similarly to other European countries, digital music (music streaming, downloads) has been the fastest growing segment in Ireland (at around 15 per cent y-on-y) although it is worth half of the traditional music segment. Looking forward, growth is expected to be strong, in line with the growth of traditional music.

Radio and podcast advertising is the only segment to have posted a negative result, with a small decline over the last few years which these third-party forecasts expect to continue, albeit declining at a slower rate, over the next five years. While the data do not allow us to break out radio from podcasts, this indicates an expected decline in radio advertising revenues given that podcast advertising is likely to continue to grow (albeit from a low base).

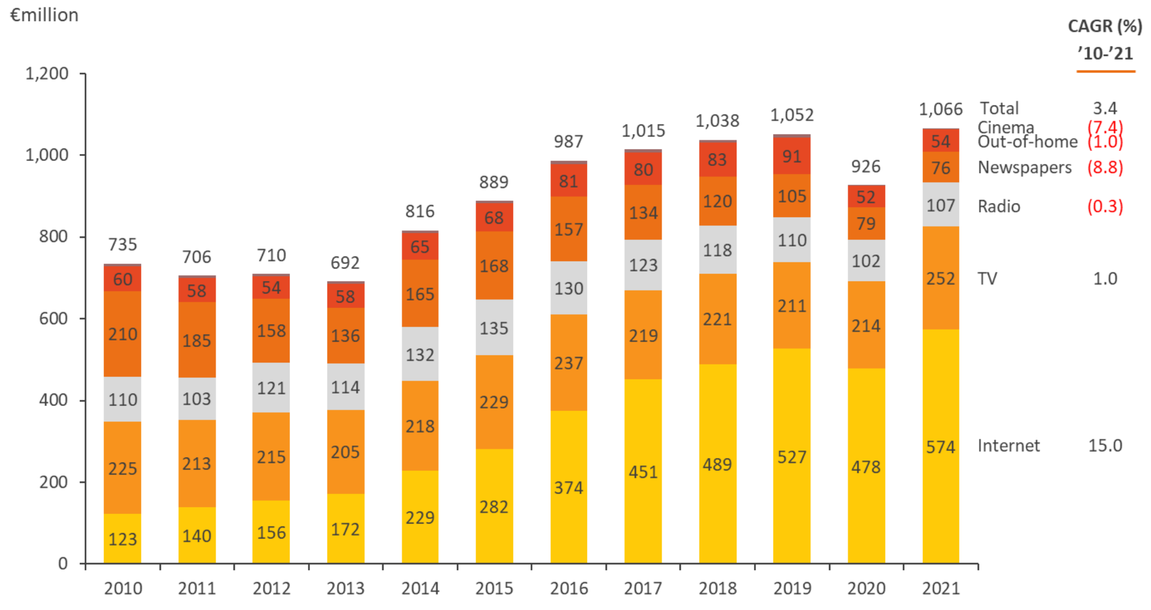
Overall, the audio sector in Ireland is healthy, and radio remains resilient for now, but further erosion by digital audio is to be expected over time and so an assessment of the economic viability of commercial radio will need to consider the impact of this.

[14] 'Traditional music' includes recorded music, live music ticket sales, music synchronisation and performance rights

Radio's share of total display advertising has declined in recent years and this is likely to continue

Total display advertising revenues have grown steadily since 2010, surpassing €1bn in 2017[15]; growth was halted by the COVID-19 pandemic in 2020, but it rebounded to pre-pandemic levels in 2021. As for other mature markets, much of this continued growth is from internet advertising (which includes digital audio)[16]. Traditional media have been under pressure in the last ten years: cinema (-3 per cent per year between 2010 and 2021), and newspapers (-8 per cent per year). Radio (meaning broadcast radio) has been more resilient but declined slightly by -0.3 per cent per year.

Figure 30: Media advertising spend by type, Ireland, 2010-21



Source: Zenith Optimedia Advertising Expenditure Forecasts December 2021

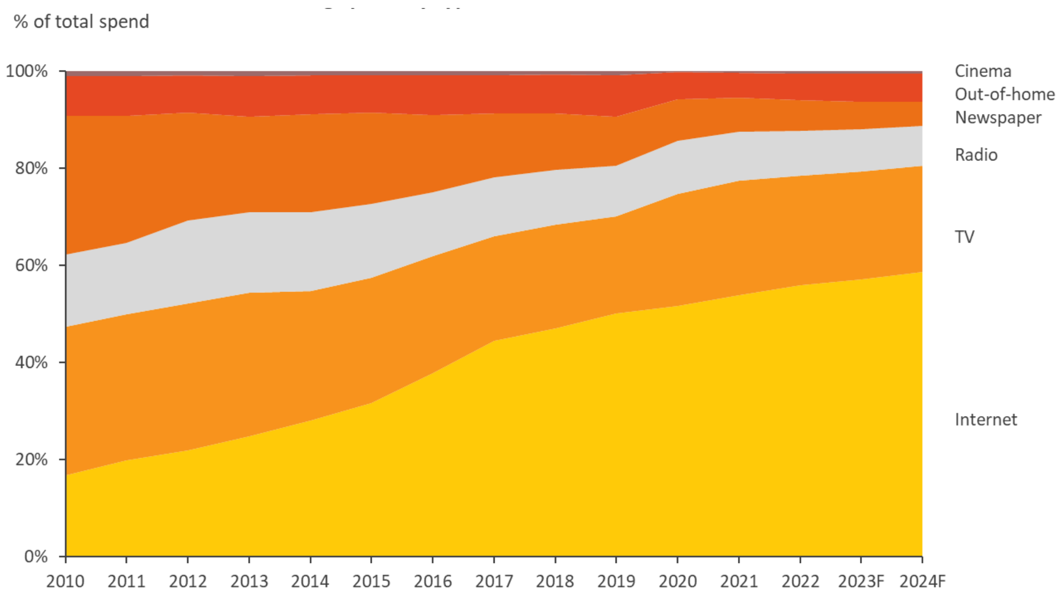
It is important to note the impact of inflation, even before the economic turbulence of the last year. While spend on radio looks to be fairly steady, this does represent a real terms decrease. Current levels of inflation, and its impact on both advertisers and media owners, also means that forecasts are highly uncertain.

As we have seen, looking at the overall sector, growth has been steady and is forecast to speed up, but it has been driven by the internet, as advertisers shift budgets. In terms of total media advertising spend, the internet has gained a significant share from just below 20 per cent in 2010 to around 55 per cent in 2022 (11 per cent y-on-y). Share of spend on TV declined from 30 to around 20 per cent, radio share fell from 15 per cent to 10 per cent, while newspapers have been affected much more significantly, with share falling from 30 to 5 per cent.

[15] Zenith Optimedia Advertising Expenditure Forecasts report, December 2021

[16] 'Internet' includes display, social media, native, video, email, affiliate ads, digital audio

Figure 31: Share of total media advertising spend by type, Ireland, 2010-24F



Source: Zenith Optimedia Advertising Expenditure Forecasts December 2021

We expect to see the overall display advertising market continue to grow, but internet is forecast to continue to erode the market share of other media. This means that radio advertising may be under pressure in the coming years and it is important to consider whether the commercial sector could remain sustainable with a declining share of a growing market – as well as what the commercial radio sector can do to capture some of the opportunity in digital advertising (and via other monetisation models).

As shown in a report by Radiocentre Ireland, agency spot advertising is still the main revenue stream but basically flat[17]. Growing segments are those related to digital (direct digital, agency digital) suggesting that opportunities are in new models.

[17] Radiocentre Ireland 2022 Revenue Report, 2022

We examined the Irish commercial radio sector to assess its recent performance

4 Analysis of data on costs and revenues, public funding and levies, 2019 to 2022

Having looked at broader trends surrounding the Irish audio market, in this part we look to gather a detailed understanding of finances underpinning the Irish commercial radio sector. This involves building up an understanding of trends in costs, revenues and profitability, as well as collating data about the public funding and levies relevant to the sector.

4.1 We collected cost and revenues data for the commercial radio sector

In this section we set out our methodology for collecting and verifying financial data from the commercial radio sector, which we then used to assess trends in costs, revenues and profitability.

4.1.1 Our methodology involved a survey of commercial radio stations

In March 2020, the then Minister for Communications, Climate Action and Environment requested that the BAI waive broadcasting levy payments from the independent radio sector for six months, in Q1 and Q2 2020. The sector had reported that it was under financial strain as a result of the fall-off in advertising revenue during the COVID-19 pandemic. The Minister also requested that the BAI conduct an urgent review of the financial impacts of COVID-19 on independent radio stations to provide an evidence base to inform decision making in the period ahead. In response, the BAI produced monthly and then quarterly COVID-19 Impact Reports on the financial circumstances of the commercial radio sector. These reports continued to be compiled until Q1 2022 and consisted of data from 31 commercial radio broadcasting services, including national, regional, multi-city and local stations. Broadcasters submitted key financial data via a self-reporting data return form, which included information on revenue (split by advertising revenue and non-broadcasting revenue), cost of sales, operating costs, EBITDA, operating profit and capital expenditure.

To ensure consistency, broadcasters were asked to present their revenue on a gross basis and specify deductions such as commissions, rebates, and other sales-related costs in a separate Cost of Sales category. The reports, which included the underlying data sheets, were shared by the BAI to provide O&O with a deeper understanding of market trends and to conduct further analysis and segmentation.

As this data covered the period from Q1 2019 to Q1 2022, the BAI also asked O&O to reach out to the same 31 commercial radio broadcasting services to provide data for the entirety of 2022. We used a self-reporting template that closely mirrored the COVID-19 reports used by the BAI to create a consistent data set that spanned from 2019 to 2022. Broadcasters were asked to submit the same fields of financial data as they did for the COVID-19 reports, and the template also included a section of qualitative questions designed to enable us to build a view of broadcaster sentiment, which would later inform our forecasts for the commercial radio sector in 2023 and 2024.

All 31 commercial radio broadcasting services engaged with this data collection process, enabling us to build a complete data set that was consistent with the 2019-2021 data collected by the BAI, giving us sufficient data to conduct our analysis[18].

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[18] A full list of commercial radio stations included in this study is included in the Appendix - Table 11

4.1.2 We verified the data submitted to us

We were asked by the BAI to verify the shared datasets for Q1 2019 to Q2 2021, and the data we had collected from commercial radio broadcasters for 2022. To do this, we compared total actual revenue and cost figures provided in the self-reporting templates with total actual turnover and expenses figures published in the commercial radio broadcasting services' financial accounts[19]. By calculating the difference between these numbers, we were able to assess the percentage variance for each.

In cases where the difference was found to be high, we conducted further analysis into both revenues and costs to determine the specific areas of discrepancy. The template provided a breakdown of revenue into advertising and non-broadcast and separated costs into costs of sales and operating costs (such as staff). Therefore, in instances where this breakdown was also provided in company financial accounts, we were able to directly compare figures for each component to analyse any discrepancies further.

In cases where it was harder to use direct comparison against audited accounts, we took steps to examine the data more closely to be comfortable with the data's validity. This included steps such as examining the difference between a company's net advertising on its accounts and the gross advertising submitted to us[20]. In these cases, we found no more than a 20 per cent discrepancy – which after a 15 per cent agency commission was accounted for, was just five per cent and therefore acceptable.

We found that on average, there was a five per cent difference between reported figures in response to the data request and accounts for 2020 to 2022, and eight per cent difference for 2019 – potentially due to the novelty of the data request for Irish radio stations as this is the first year that the data collection was carried out. We deemed that this was an acceptable level of variance (below 10 per cent).

4.2 Our data analysis provides a view of top-level trends in costs and revenues

Having collected data from the commercial radio sector, we analysed it to reveal trends in revenues and costs – which enables an assessment of the sector's overall performance. Note that the assessment does not extend to considering to what extent stations have efficiencies to make or have exhausted these, since this would require a much more detailed review of each.

4.2.1 Top line commercial sector revenues show good performance overall

Figure 32 below provides an overview of the top-line revenue trends for the Irish commercial radio sector from 2019 to 2022, across all types and sizes of station. It shows that total revenues have not only recovered from the pandemic-related dip in 2020 but have also surpassed the pre-pandemic level, reaching €137m in 2022.

The largest revenue segment is Agency sales, which reached €77 million in 2022 and has grown at a CAGR[21] of 5.3 per cent since 2019; this includes government-funded advertising and may also include some pent-up demand from the pandemic period, that may then fall back. The second largest segment is Local sales, which reached €42 million in 2022 but is still recovering from losses suffered during the pandemic, when many local businesses were required to close their premises and reduce costs. In addition, some local advertisers may have been motivated to try digital advertising during the pandemic, as digital spending can be easily and quickly controlled, and offers local targeting.

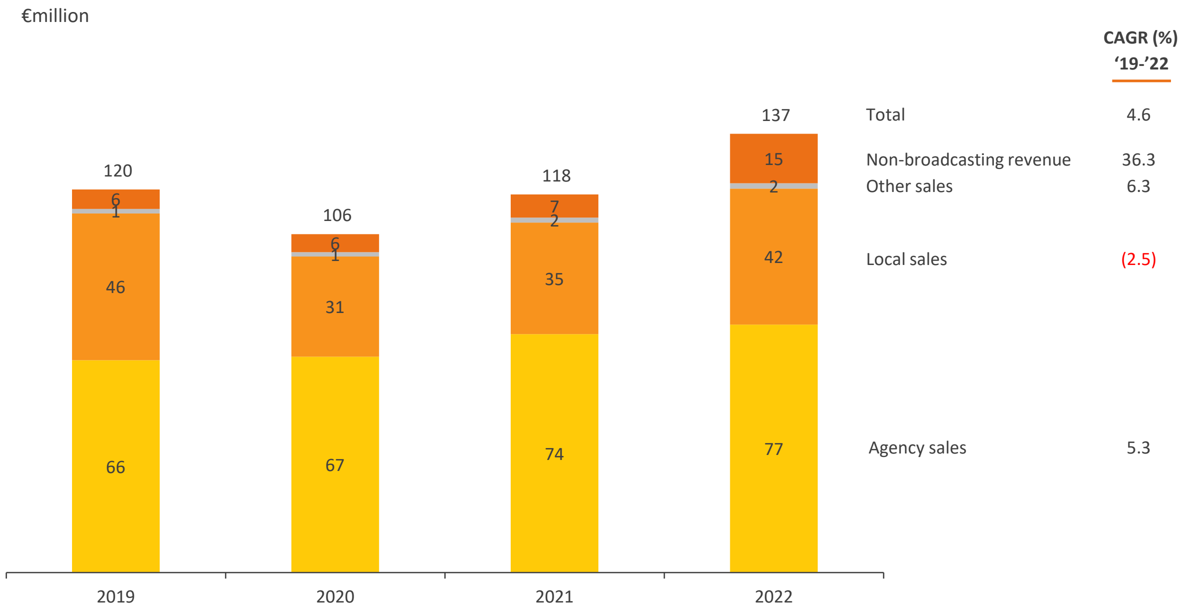
[19] We verified against audited financial accounts, with the exception of 2022 accounts where 17 stations did not have audited accounts available yet. In these instances, we verified against their management accounts. No significant discrepancies were found between these unaudited accounts and the data request submissions.

[20] 'Net advertising' refers to advertising revenues minus that which is paid in commission. 'Gross advertising' is inclusive of commission

[21] 'CAGR' defined as Compound Annual Growth Rate

This trend is most relevant to local radio. Other sales and Non-broadcasting revenue are smaller segments, with €2 million and €15 million in revenue in 2022, respectively. Non-broadcasting revenue has grown the fastest at a CAGR of 36.3 per cent through 2019-2022 and includes revenues from training, hosted events, concerts, online/social media sales, and text messaging/competitions.

Figure 32: Commercial radio revenues, Ireland, 2019-22



Source: BAI, Oliver & Ohlbaum analysis

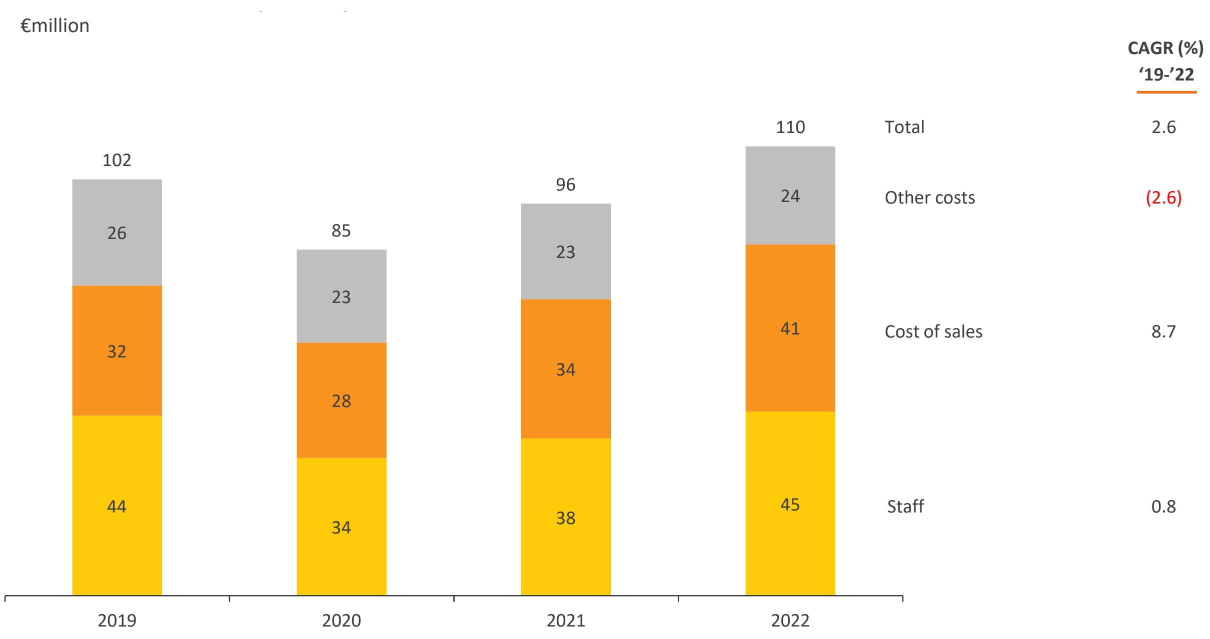
While the top-line revenue figures indicate recovery and growth in the sector, the contrasting trend between the healthy growth of agency sales and slower recovery of local sales indicates that a more detailed analysis of revenues is needed to fully determine the financial viability of all stations, considering their group or independent ownership status, geographic reach, and size.

4.2.2 Costs have largely returned to 2019 levels, though there is evidence of cost savings

Figure 33 breaks down the costs of the commercial radio broadcasters in the same period. The total costs for the industry amounted to €110 million in 2022, with Staff costs at €45 million, Cost of sales at €41 million, and Other costs at €24 million. The top-line cost numbers have now surpassed the 2019 figure of €102 million, having fallen in 2020. Cost of sales, which includes commissions and levies[22], also exceeds its 2019 figure. However, Staff costs have only just recovered to 2019 levels, and Other costs are still €2 million shy of the 2019 figure. This suggests that while radio revenues may have risen, key costs associated with quality, such as Staff, Programming, and Training, have either fallen or remained flat since 2019, indicating cost-saving initiatives have been taken in the radio sector.

[22] IMRP levies, MCPS levies, PP levies and BAI levies

Figure 33: Commercial radio costs, Ireland, 2019-22

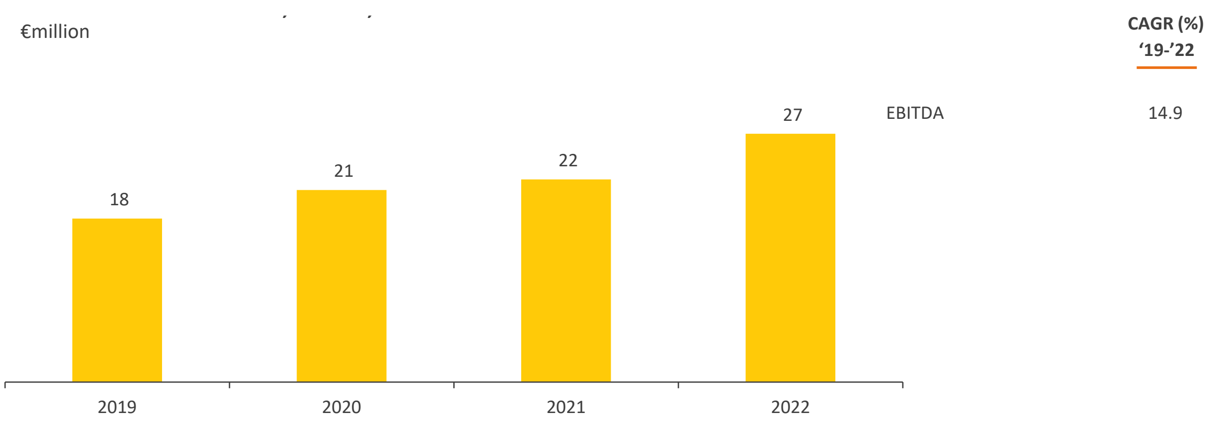


Source: BAI, Oliver & Ohlbaum analysis

4.2.3 Combining cost and revenue trends reveals a positive EBITDA story for the sector

In terms of EBITDA, **Figure 34** shows solid growth since 2019, with EBITDA reaching €27 million in 2022, up from €18 million in 2019. This growth is a product of the earlier revenue trends, where revenue growth has outstripped growth in costs. However, it is important to note that economic viability cannot be inferred solely from growing EBITDA, as broadcasters aim to run at a profit to meet ongoing commitments and provide reserves for unforeseen circumstances. Additionally, the growth in EBITDA may have been driven by cost-cutting initiatives, as demonstrated by the stalling/declining Staff and Other cost lines. We heard some more about cost-saving initiatives during the stakeholder interviews, summarised in Section 6.

Figure 34: Commercial radio EBITDA, Ireland, 2019-22



Source: BAI, Oliver & Ohlbaum analysis

4.3 Data segmentation has revealed different stories within the sector

Commercial radio is a diverse and complex industry. While top-line figures provide an overall view of the sector, segmentation analysis is important to understand the performance of different groups and segments.

One way to segment the industry is by regionality. Examining data on revenue growth from 2019-2022 indicates that the local advertising market may have been the slowest to recover from the COVID-19 pandemic, or that some local advertisers may have shifted some spend towards digital media during the pandemic and maintained that to 2022. Data on operating costs indicate that local stations in particular are likely to have carried out cost-saving initiatives in this period. In terms of EBITDA in 2019-2022, all types of stations by regionality have seen growth. Local stations have grown at a lower rate, but this is still 10.5 per cent CAGR on average over the period.

4.4 We also analysed BAI data on public funding and the existing broadcasting levy

Having assessed the recent performance of Irish commercial radio, in this section we consider the role of sectoral and horizontal public funding initiatives available to the commercial radio sector, as well as the current broadcasting levy.

4.4.1 The BAI's Sound & Vision Scheme is an important source of public funding

The Sound & Vision Scheme is an important source of public funding for the Irish commercial radio sector. The Scheme was designed to support the BAI's objectives of increasing public access to high-quality and diverse radio and television programmes in Irish and English, and supporting Irish culture and heritage. **Table 1** provides key data on the Scheme, specifically for the Radio sector.

Under the previous iteration of the Scheme, Sound & Vision 3 (S&V3, 2015-20), there were a total of 732 applications for funding from the commercial radio sector, with 466 successful applications, resulting in a success rate of 64 per cent. The average recommended funding per project was €5.7k, and a total of €2.6 million in funding was allocated. In the more recent period of Sound & Vision 4 (S&V4, 2020-23), there were 326 applications for funding from the commercial radio sector, with 196 successful applications, resulting in a success rate of 60 per cent. The average recommended funding per project increased to €38.5k, and €7.5 million in funding was allocated. The higher total funding level is due to the COVID-19 initiative open to the commercial radio sector, Rounds 35 and 39.

In total, across S&V3 and S&V4, the BAI distributed a total of €10.1 million in public funding to the commercial radio sector. Table 1 shows the key data associated with the last two iterations of the scheme.

Table 1: Key data for Sound & Vision 3 and 4

		S&V3	S&V4	Change
Time frame		Mid 2015- Early 2020	Early 2020-End of 2022	
Number of rounds		12 (rounds 23-34)	12 (rounds 35-46)	
Average rounds per year		2.2	4	**1.8x**
Number of applicants	**Total**	**2,898**	**1,021**	**0.35x**
	TV	1,105	399	0.36x
	Radio	1,793	622	0.35x
	Commercial radio	732	326	0.45x
Average number of applicants per round	**Total**	**242**	**85**	**0.35x**
	TV	92	52	0.57x
	Radio	151	44	0.29x
	Commercial radio	61	32.6	0.53x
Number of successful applications	**Total**	**1,448**	**512**	**0.35x**
	TV	356	148	0.42x
	Radio	1,092	364	0.33x
	Commercial radio	466	196	0.42x
Success rate	**Total**	**50%**	**50%**	**1x**
	TV	32%	37%	1.15x
	Radio	61%	59%	0.96x
	Commercial radio	64%	60%	0.92x
Amount of funding recommended	**Total**	**€68.7m**	**€46.3m**	**0.67x**
	TV	€61.6m	€35.9m	0.58x
	%	*89.6%*	*77.5%*	*0.87x*
	Radio	€7.1m	€10.4m	1.46x
	%	*10%*	*22%*	*2.17x*
	Commercial radio	€2.6m	€7.5m	2.86x
	%	4%	16%	4.15x
Average recommended funding per project	**Total**	**€47.4k**	**€90.5k**	**1.91x**
	TV	€172.9k	€242.6k	1.40x
	Radio	€6.5k	€28.6k	4.38x
	Commercial radio	€5.7k	€38.5k	6.81x
Average yearly amount		**€12.5m**	**€15.4m**	**1.24x**

Source: BAI

We can also analyse how money distributed to the commercial radio sector breaks down by regionality, as shown in **Table 2**. This shows that of the 326 total applications to S&V4 from the commercial radio sector, 81 came from national stations (25 per cent), 22 came from regional / multi-city stations (7 per cent) and 223 came from local stations (68 per cent). Of these applications, national stations had a success rate of 51 per cent, regional / multi-city had a success rate of 73 per cent and local stations had a success rate of 62 per cent. In total, €7.5m was awarded to the sector from S&V4; €0.5m of this went to national stations (7 per cent), €1.3m went to regional / multi-city stations (18 per cent) and €5.7m went to local stations (75 per cent).

Table 2: Sound and Vision funding allocated to commercial radio sector (including COVID rounds in S&V4)

		S&V3	S&V4	Change
Time frame		Mid 2015- Early 2020	Early 2020-End of 2022	
Number of rounds		12 (rounds 23-34)	12 (rounds 35-46)	
Average rounds per year		2.2	4	**1.8x**
Number of applicants	**Total commercial radio**	**732**	**326**	**0.45x**
	National	244 (33%)	81 (25%)	0.33x
	Regional / Multi-city	28 (4%)	22 (7%)	0.79x
	Local	460 (63%)	223 (68%)	0.48x
Average number of applicants per round	**Total commercial radio**	**61**	**32.6**	**0.53x**
	National	20 (33%)	10 (31%)	0.50x
	Regional / Multi-city	3 (5%)	3 (8%)	0.98x
	Local	38 (63%)	22 (68%)	0.58x
Number of successful applications	**Total commercial radio**	**466**	**196**	**0.42x**
	National	148 (32%)	41 (21%)	0.28x
	Regional / Multi-city	13 (3%)	16 (8%)	1.23x
	Local	305 (65%)	139 (71%)	0.46x
Success rate	**Total commercial radio**	**64%**	**60%**	**0.92x**
	National	61%	51%	0.83x
	Regional / Multi-city	46%	73%	1.57x
	Local	66%	62%	0.94x
Amount of funding recommended	**Total commercial radio**	**€2.6m**	**€7.5m**	**2.86x**
	National	€0.8m (30%)	€0.5m (7%)	0.66x
	Regional / Multi-city	€0.05m (2%)	€1.3m (18%)	26.8x
	Local	€1.8m (68%)	€5.7m (75%)	3.16x
Average recommended funding per project	**Total commercial radio**	**€5.7k**	**€38.5k**	**6.81x**
	National	€5.3k	€12.7k	2.38x
	Regional / Multi-city	€3.8k	€83.4k	21.7x
	Local	€5.9k	€40.9k	6.94x

It is important to note here that the BAI's COVID-19 funding relief – explored in greater detail in Section 4.4.2 – is included in these Sound & Vision 4 numbers in the Table above, affecting comparisons between S&V3 and S&V4. We have also therefore looked at the S&V4 data without Rounds 35 and 39 (the two COVID-19 relief rounds). Doing this shows that in S&V4 excluding the COVID-19 relief Rounds, there were 262 applications for funding from the commercial radio sector, 77 from national stations (29 per cent), 12 from regional / multi-city stations (5 per cent) and 173 from local stations (66 per cent).

This is broadly similar to the split when the COVID-19 Rounds are included. Of these applications, national stations had a success rate of 48 per cent, regional / multi-city stations had a success rate of 50 per cent and local stations had a success rate of 51 per cent. In total €2.47m was awarded to the sector in funding; €0.22m of this went to national stations (9 per cent), €0.74m went to regional / multi-city stations (30 per cent) and €1.5m went to local stations (61 per cent). In this sense, funding allocations were slightly more balanced across the different commercial radio types outside of the COVID-19 Rounds (to be expected given the different context) but continued to benefit local radio the most as a segment.

4.4.2 There were several COVID-19 support measures

There were several mechanisms in place to support the Irish commercial radio sector during the COVID-19 pandemic. As mentioned above, one of these was additional funding allocated via the Sound & Vision Scheme. Others included the Employment Wage Subsidy Scheme, and Government-funded advertising. We have set out details of each of these measures in turn below.

Sound & Vision 4: COVID-19 funding initiative

The BAI's COVID-19 funding initiative under Sound & Vision 4 was established specifically for independent commercial radio stations, following a Ministerial request. It had two primary goals[23]: firstly, to enhance social awareness of the COVID-19 crisis by offering independent commercial radio stations the opportunity to provide programming that would enhance their listeners' understanding of the COVID-19 pandemic, and secondly to support capacity building, to ensure independent stations had the capacity to inform and educate regional and national audiences with essential information about risks and the safety measures that were in place.

A total of €4.5 million from the Exchequer was made available to this initiative in 2020 and 2021 – €2 million in 2020 and €2.5 million in 2021. Key information about the initiative is summarised in **Table 3**. In both years this funding was split between BAI licensed commercial and sound broadcasting services[24]. This funding was not directed towards specific programmes but rather was intended to help fund various COVID-19 related programming initiatives. 100 per cent of applicants were approved in both years[25]. However, the amount of funding requested was higher than that available in both Rounds 35 and 39. As a result, the assessment process led to a reduction in the amount of funding awarded to applicants compared to the amount they had requested, to ensure the total funding awarded did not exceed the available budget.

Of the €2.5 million awarded in Round 35 to the commercial radio sector, €0.15 million (6 per cent) went to national stations, €0.28 million (11 per cent) went to regional / multi-city stations and €2.06 million went to local stations (82 per cent). Round 39 followed a similar pattern, with €0.14 million (5 per cent) going to national stations, €0.31 million (12 per cent) going to regional / multi-city stations and €2.12 million going to local stations (82 per cent).

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[23] Guide S&V4 COVID-19 *(April 2020)*, p.3

[24] The full list of these services can be found on the BAI website

[25] 100% of eligible applicants were approved

Table 3: COVID-19 rounds under Sound & Vision 4

		COVID-19 – Independent Commercial Radio	COVID-19 – Independent Commercial Radio
Round Number		35	39
Year		2020	2021
Budget allocated		€2.5m	€2.5m
Funding Requested		€2.70m	€2.72m
Number of projects where funding awarded was lower than funding requested		18	23
Average amount by which funding awarded was lower than funding requested	%	13.1%	4.6%
	€	€11,647	€3,765
Total funding awarded		€2.50m	€2.57m
- Of that to national stations		€0.15m (6%)	€0.14m (5%)
- Of that to regional / multi-city stations		€0.28m (11%)	€0.31m (12%)
- Of that to local stations		€2.06m (82%)	€2.12m (82%)

Source: BAI

Employment Wage Subsidy Scheme

Furthermore, during the course of the pandemic the Irish Government enacted measures designed to provide relief across the breadth of the economy. One of these was the Employment Wage Subsidy Scheme (EWSS) – an economy-wide scheme that provided a flat-rate subsidy for qualifying employers based on the number of eligible employees on their payroll and the gross pay to these employees.

Through 2019 to 2021 the BAI's quarterly COVID-19 Impact Reports included each stations' contribution from the EWSS scheme, and we collected this data from stations for 2022. **Table 4** presents this data, showing how in total €8,455,768 was claimed by the Irish commercial radio sector from Q1 2020 – Q1 2022.

Table 4: Employment Wage Subsidy Scheme (EWSS), amount claimed

	2020	2021	2022
EWSS claimed	5,406,390	2,893,355	156,023

Government-funded advertising

In addition, the Irish commercial radio sector received a boost from government-funded advertising spend during the pandemic. The government and Health Service Executive (HSE) funded advertising campaigns aimed at informing the public about COVID-related matters. According to the BAI's COVID-19 Impact Reports, commercial radio broadcaster services received revenue from this initiative. **Table 5** presents this data, indicating that the sector received a total of €15,494,378 in advertising revenue from the government/HSE COVID-19 advertising initiative between Q1 2020 and Q1 2022.

Table 5: Government and Health Service Executive (HSE) COVID-19 advertising initiative, amount spent (€)

	2020	2021	2022
Gvt and HSE COVID-19 ad spend	8,163,964	6,288,974	1,041,440

4.4.3 The Temporary Business Energy Support Scheme (TBESS) supports some broadcasters

In response to cost inflation in 2022-2023, the Temporary Business Energy Support Scheme (TBESS) has been introduced to provide support for businesses facing significant increases in their electricity or natural gas costs. To qualify for the scheme, businesses must be tax compliant, carry out a Case I trade or Case II profession, and have experienced a 50 per cent or more increase in their energy bills between the claim period (September 2022 to April 2023) and the corresponding period in the previous year. Qualifying businesses can claim for 40 per cent of the increase in their energy bills, subject to a monthly cap.

Commercial radio stations were asked to report on the support that they had received from this scheme in 2022, in our self-reported survey. The results of this revealed that the commercial radio sector had received around €33,081 between September 2022 and the start of 2023. Of this, €18,566 was claimed by Local stations, €14,515 was claimed by Regional/Multi-city stations, and €0 was claimed by National stations.

The stations were also asked whether they intend to apply for more TBESS support in 2023. Of the stations who said they were planning to apply, 100 per cent were Local, and the amount that stations expected to receive in 2023 ranged from €2,000 to €7,000. Stations in larger groups reported that they were unable to apply, as their energy prices had risen but not by the 50 per cent increase which is required to be eligible for the scheme, and their transmission was under contract with a third party.

4.4.4 The BAI levy was collected to meet the Authority's expenses

One of the functions of the BAI, as set out in section 33 of the Broadcasting Act 2009, was to impose a levy on public service broadcasters and broadcasting contractors to meet the expenses properly incurred by the Authority and the Statutory Committees in the execution of their statutory functions.

Table 6 summarises the amount collected by the BAI through its levy, presenting the actual amount that was collected for 2018-21, and the estimated amount that will be collected for 2022 (this is because the reconciliation will be carried out in September 2023 following the 2022 audits). Between 2018 and 2022, the BAI collected €1.62m – €1.87m each year from the commercial radio industry. Note that the lower collections in 2020 are because the levy was waived for the independent radio sector for the first half of 2020 following a Ministerial request in light of the pandemic. A detailed explanation of how the levy is structured is provided in Part 7.

Table 6: Levy collected by the BAI, 2018-22 (provisional data for 2022)

	2018	2019	2020	2021	2022
RTE (TV and Radio)	1,398,273	1,539,160	1,370,650	1,327,937	1,923,111
Other TV	1,238,439	1,320,784	1,256,741	1,260,607	1,518,187
Commercial Radio	1,776,455	1,833,419	1,622,085	1,649,995	1,870,320
Community / Temporary	44,250	37,500	35,250	10,500	11,750
Grand Total	**4,457,417**	**4,730,863**	**4,284,726**	**4,250,539**	**5,323,368**

Note: The *de minimus* charge was reduced to €250 plus VAT from €750 plus VAT for Community/Temp stations under Levy Order (Amendment) 2020, which came into operation on 1st January 2021

And produced forecasts for the Irish market to assess the likely trajectory for the Irish radio market as a whole

5 Forecasts for the Irish commercial radio market

Having looked at the data for the sector over 2019-2022, in this part we look to provide forecasts for where the sector is going in 2023 and 2024. These forecasts include listening, revenues, costs and profitability, including a range of different macroeconomic scenarios, and are informed by the understanding of the market developed in the earlier sections, combined with insights we gathered through our interview programme.

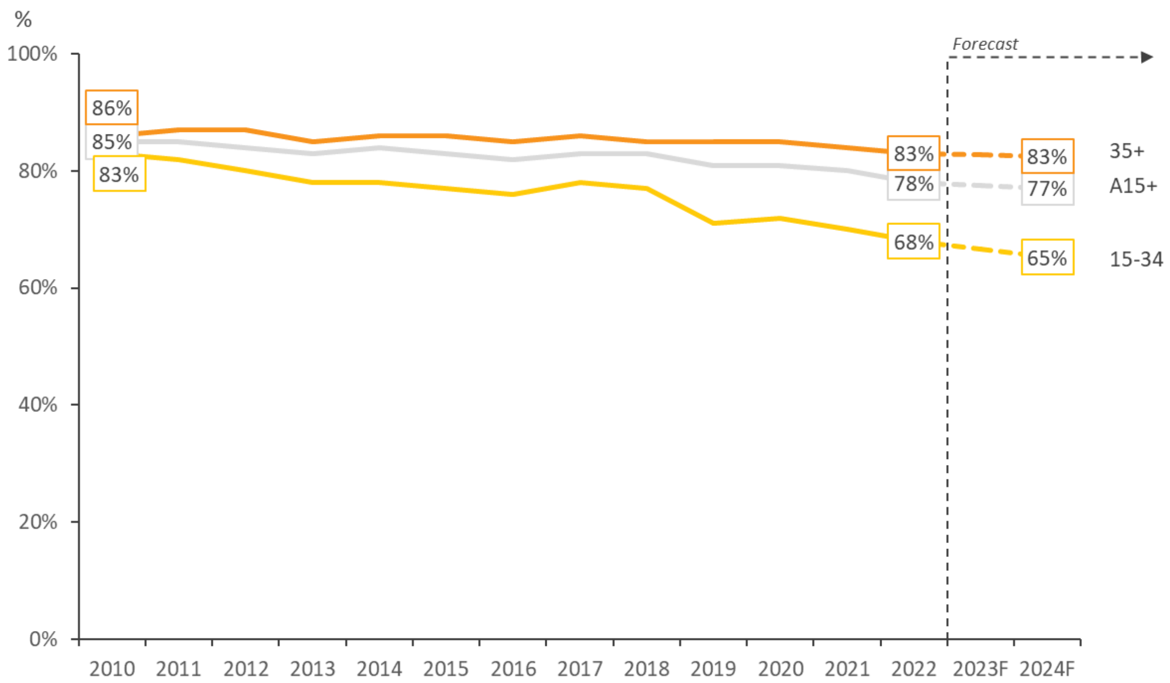
5.1 We produced base line forecasts for listening, revenue and costs

Combining our understanding of historic trends (developed in Part 3), current trajectory and future trends we have generated an indicative view on where the sector is heading across listening, revenue and costs. These forecasts build upon the dataset developed in Part 4, given that is built on the broadcaster-submitted data that we have verified.

5.1.1 Commercial radio listening reach and consumption are expected to remain robust

As discussed in Section 3.2, radio continues to be an extremely popular and relevant medium in Ireland. In 2022, JNLR reported that radio reach totalled 78 per cent in 2022, with average daily consumption of 258 minutes (of which an average of 184 minutes were spent listening to commercial radio). This places Ireland as among Europe's leading countries in terms of radio listenership. **Figure 38** shows how reach has progressed over time, by age group, and the expected level of reach in 2024 if we roll forward the existing trends. We project a small fall from 78 per cent to 77 per cent from 2022 to 2024, with the 35+ segment remaining at its 2022 level of 83 per cent, whilst the 15-34 age segment sees a decline from 68 per cent to 65 per cent.

Figure 35: Daily radio reach by age group, Ireland, 2010-24F



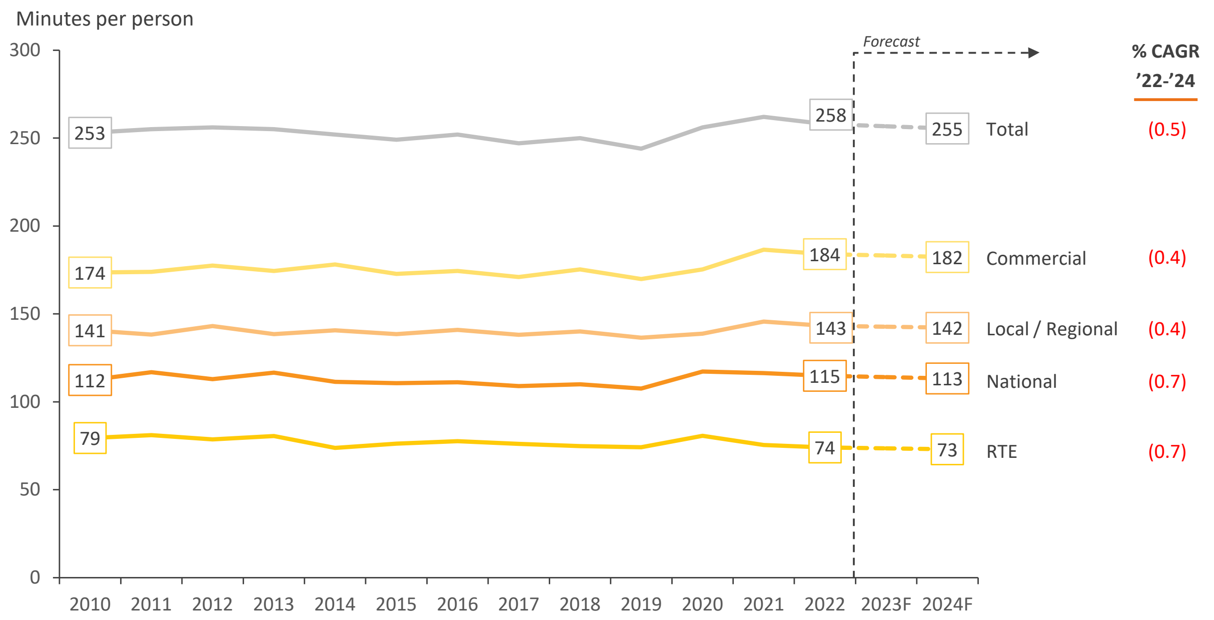
Note: Daily reach – average weekday "yesterday listenership" – any radio
Source: JNLR, Oliver & Ohlbaum analysis

Whilst the general European trajectory of radio consumption has been one of sustained, gradual decline, in Ireland both reach and consumption have remained robust, falling at a very slow -0.5 per cent and -0.4 per cent CAGR respectively from 2010-2019. 2020 and 2021 saw consumption numbers rise, with daily consumption rising by 1.9 per cent CAGR from 2019-2022, as the pandemic elevated radio in people's lives with more time spent at home and rising demand for news and information, entertainment, and a sense of community.

Commercial radio specifically has seen a more positive trajectory than Public Service Media RTÉ, with consumption rising by ten minutes since 2010 (from 174 to 184 daily minutes or c6 per cent up), while RTÉ has lost five minutes average daily listening in the same period (from 79 to 74 or c6 per cent decline). Furthermore, when looking at the data from a National vs Local/Regional commercial radio perspective, both have had very similar trajectories, both growing slightly with 0.2 per cent and 0.1 per cent CAGRs since 2010.

Projecting these trends forward, to form a view of developments if recent trends continue, we can see radio overall could remain robust in 2023 and 2024. Our baseline forecasts for listening are shown in **Figure 36**. We see total daily minutage falling from 258 minutes in 2022 to 255 minutes in 2024. With this, Commercial radio's minutage falls from 184 minutes to 182, with Local/Regional minutes falling from 143 to 142 and National minutes falling from 115 to 113.

Figure 36: Average daily live radio listening time, Ireland, 2010-24F



Note: Weekday listening, Irish stations, 7am-midnight
Source: JNLR

In the short-term, we therefore project commercial radio listening to remain robust for each segment, both in terms of reach and consumption. We anticipate that listening's trajectory is likely to return to pre-pandemic trends, having experienced a short-term pandemic-related uptick in 2020 and 2021. These projected numbers suggest that radio will continue to remain an important and relevant medium in Ireland, performing extremely well against the European average.

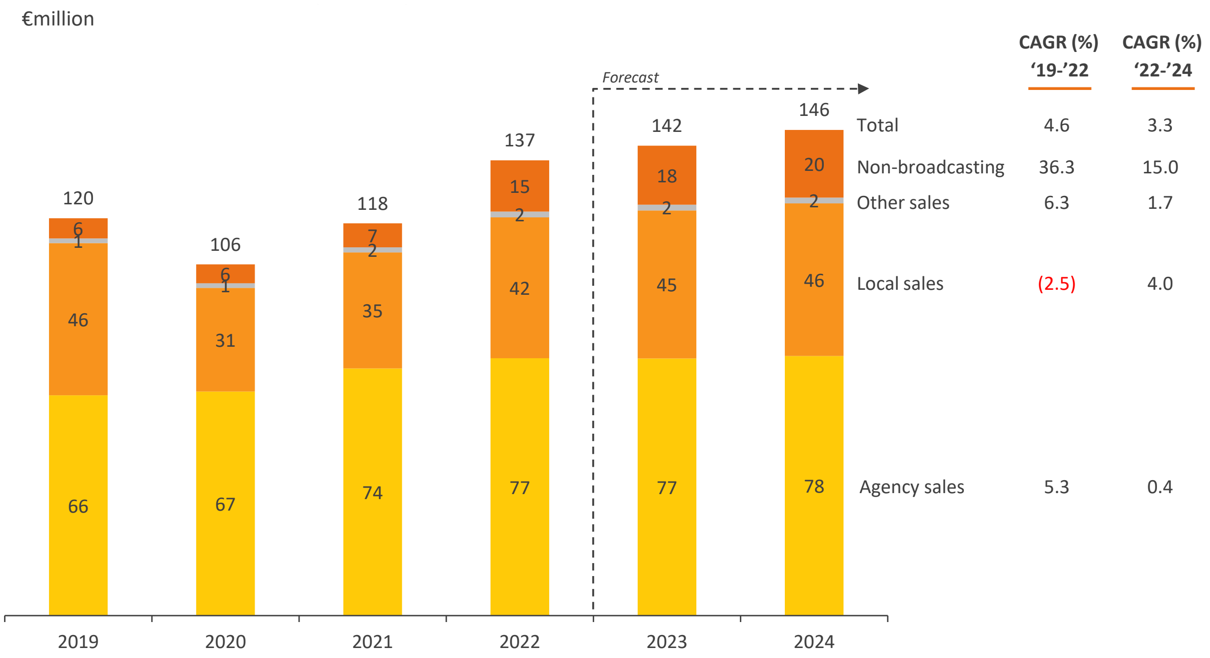
5.1.2 We anticipate that commercial radio revenues will grow steadily

The earlier analysis of commercial radio revenues collected and analysed by the BAI and O&O revealed that top-line revenues had completed their recovery from the pandemic, increasing from €120 million in 2019 to €137 million in 2022. In 2022, advertising totalled €122 million (up from €114 million in 2019), with non-broadcasting revenue at €15 million (up from €6 million in 2019). Looking at longer-term trends is challenging, with a lack of industry agreed figures before 2019. Third party estimates suggest that since 2010, Ireland's radio revenues have been stagnant, or perhaps on a gradual decline[26].

To produce forecasts for commercial radio revenues, we have used a range of inputs. As this forecast represents a base-case, we will look to provide a continuation of their current trajectory. The first key input was total listenership, which was a product of reach, consumption (both calculated in 5.1.1) and future population growth (based on historic trends). These listening projections were sense-checked against the self-reported radio station responses to the data requests, and interviews conducted with radio stations and advertising buyers. The other key input was yield – the revenue generated per listening minute. We were able to calculate this for 2019-2022, based on the data collected, and then we forecasted this based on historic trends (which saw yield increase marginally from 2019 to 2022). This was sense-checked against the sentiment that we gathered from stations and ad buyers in their submissions and interviews.

Figure 40 shows how we anticipate Irish commercial radio revenues to continue growing steadily, reaching €146m by 2024. We expect agency sales to continue to be the largest segment, at €78m in 2024, but to see only very marginal growth from 2022 to 2024, as the government-supported element of agency sales reduces and national advertising budgets continue to migrate towards digital. We anticipate local sales to complete their recovery from the losses in the pandemic, reaching €46m by 2024. This is driven by local businesses' revenues recovering in this period, as macroeconomic conditions improve, and their advertising budgets recovering as a result. Moreover, we forecast Non-broadcasting revenues to be the fastest growing segment, growing to €20m in 2024. This is driven by our expectations that stations will continue to improve their digital offerings (though this will likely mainly be achieved by stations with the means to invest – e.g. national stations and those belonging to larger groups).

Figure 37: Commercial radio revenues, Ireland, 2019-24F



Source: BAI, Oliver & Ohlbaum analysis

[26] Zenith Media Consumption Report, 2021; PwC Global Entertainment & Media Outlook, 2022-2026

5.1.3 Commercial radio costs are also likely to increase – by how much is highly uncertain

It is important to note in relation to costs that we cannot measure the extent to which radio stations have already carried out efficiency measures or have further room to do so, and therefore the extent to which any new cost savings would adversely affect programming quality; such an assessment requires a comprehensive benchmarking exercise, beyond the scope of this report. However, we can see how stations have been making savings in recent years from the data request, and we have gathered views around cost pressures and the impact of efficiency measures as part of the interview programme.

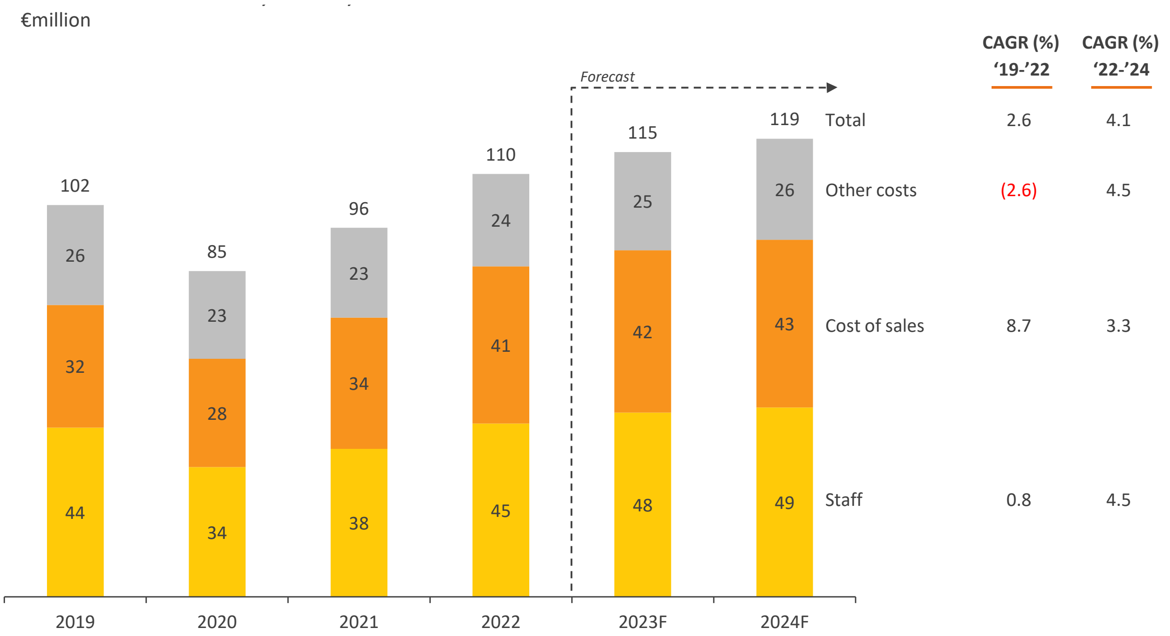
Our earlier analysis of the cost data collected by the BAI and O&O revealed that total costs for commercial radio stations were €110 million in 2022, up from €102 million in 2019. The biggest segments were Staff at €45 million, Cost of Sales at €41 million and then Other operating costs at €24 million. Besides this BAI/O&O collected data, there are no other industry cost figures, making a longer-term view before 2019 difficult.

Our forecasts were informed by a range of inputs. The most crucial inputs were our consultations with radio stations, and the HCPI (Harmonised Consumer Price Index) forecast from the Central Bank of Ireland[27]. Clearly future inflation is currently highly uncertain, but the Central Bank of Ireland published its latest CPI outlook very recently, and so we have been able to factor that into forecasts – more detail is provided in Section 5.2. A question also remains around whether CPI is the most appropriate indicator of the likely inflation experienced in the cost of radio production, but in the absence of historical data looking specifically at the cost of radio production, the Central Bank of Ireland's CPI forecast is the best source we have.

Our forecasts for costs in 2023 and 2024 are set out below in **Figure 38**. We project top-line cost figures to rise to €118 million by 2024 (up by €9 million from 2022), representing a CAGR of 4.1 per cent. By 2024, we project Staff to remain the largest segment, climbing by €4 million to reach €49 million. This increase was driven by the inflationary pressures on wages, as well as more specialist staff being needed as radio stations adapt to digital. Cost of Sales is projected at €43 million (up €2 million) in 2024. This cost line is made up of commissions and levies, and hence is largely tied to revenues. As such, this cost line was driven by our previous revenue projections. Finally, Other operating costs were projected at €26 million (up €2 million). Within this, the biggest driver is likely to be energy prices, which the Central Bank anticipates will remain high but begin a downward trajectory later into 2023 and 2024[28]. While energy prices may fall, the Temporary Business Energy Support Scheme, which many stations benefit from (see Section 4.4.3), is currently set to expire on 30 April 2023. To mitigate these rises, it is possible that stations may be forced to make cost-savings around marketing and programming.

[27] Central Bank of Ireland, Quarterly Bulletin No.1 2023, published 8 March 2023
[28] Ibid.

Figure 38: Commercial radio costs, Ireland, 2019-24F



Source: BAI, Oliver & Ohlbaum analysis

5.2 Our base case reflects current macroeconomic conditions; we also consider others

In projecting the commercial radio sector forwards, it is important to consider how sector projections could be affected by macroeconomic factors. Macroeconomic forecasts are provided quarterly by the Central Bank of Ireland, with the most recent projections in the Quarterly Bulletin Q1 2023, released in March 2023. The key outputs of this Bulletin are summarised below:

Table 7: Summary of key outputs, Central Bank of Ireland Quarterly Bulletin, Q1 2023

	2022	2023F	2024F
Modified Domestic Demand (Constant prices)	8.2	3.1	2.9
Gross Domestic Product (Constant prices)	12.0	5.6	4.8
Unemployment Rate	4.5	4.4	4.4
Harmonised Index of Consumer Prices (HICP)	8.1	5.0	3.2

These figures suggest that the Central Bank forecasts the Irish economy to begin to stabilise in 2023, with GDP growth returning to more typical levels, growing 5.6 per cent, and HICP at 5.0 per cent. In 2024, the Central Bank forecast the economy would stabilise further, with 4.8 per cent GDP growth and inflation at 3.2 per cent. These projections are also in line with forecasts produced by other European bodies for the Irish market[29].

These macroeconomic projections are consistent with the trajectory of the radio market set out in Section 4.1. Continued GDP growth is indicative of the continued recovery in the advertising market, both in terms of local sales (as local businesses recover) and agency sales. On the cost side, inflation is projected to remain higher than the ECB target rate in 2023, suggesting continued inflationary pressures on costs such as energy and staff. These inflationary pressures may be lower than many in the radio industry fear, with the Central Bank actually marking down their 2023 inflation forecast from 6.3 per cent to 5.0 per cent between their Q4 2022 and Q1 2023 quarterly bulletins. This reduction was due to the price of oil and gas on international markets falling. This reduced level of inflationary anxiety is consistent with our view that while costs for the commercial radio sector are set to rise, the size of the rise is unlikely to lead to dramatic falls in profitability or viability.

While these Central Bank forecasts form the base case, we appreciate that recent years have been times of macroeconomic instability, with the COVID-19 pandemic and the current cost of living crisis. As a result, we think it is prudent to also consider what the commercial radio sector could look like in alternative macroeconomic conditions.

5.2.1 Alternate scenario 1: heightened inflationary pressures

As per the current projections by the Central Bank, inflation (HICP) in Ireland is expected to decline to 5.0 per cent for 2023, followed by a further reduction to 3.2 per cent in 2024. However, it is important to consider the possibility of a prolonged high inflationary environment in Ireland, which could persist into 2023 and even 2024. This could be triggered by several factors such as the ongoing Ukraine War, which could lead to a prolonged energy crisis and a shortage of grain and fertiliser, resulting in higher food prices.

In such a scenario, the commercial radio sector in Ireland is likely to face a range of negative impacts, flowing from lower revenue growth and higher cost growth. Businesses, especially consumer-facing ones, could suffer as the cost of living crisis continues to affect consumers, which would lead to a decrease in agency and local advertising sales. Key operating cost lines such as staff and energy could rise higher than forecasted in our base case, resulting in higher cost growth for the sector.

The compounding of these impacts would result in a decline in profits across the industry, with growth in costs potentially outpacing growth in revenues. Depending on the scope for efficiencies at a broadcaster, this could lead to a decline in the overall quality of radio programming, if stations seek to balance out rising costs by cutting back on programming. The quality of staffing could also be affected. We heard in our interviews that the sector faces existing problems with staff leaving for higher-paying sectors, and difficulties attracting staff due to salary demands – any such issues could be worsened in this scenario.

These potential issues are likely to affect the local independent radio stations the most, as they are more dependent on local advertising sales, which would be most impacted by a prolonged cost of living crisis. Additionally, we heard that these stations are more affected by staffing problems at present, which would be exacerbated in this scenario. In turn, this could see the market shares of the major commercial ownership groups increase, with smaller stations declining.

While the base case represents the most likely scenario for Ireland's trajectory, this may be the next most likely outcome. It is therefore still important for the commercial radio sector in Ireland to consider the possibility of a

[29] European Commission – Economic forecast for Ireland, February 2023; OECD – Economic Outlook, November 2022; IMF -Ireland Economic Snapshot, December 2022

prolonged high inflationary environment, so it can consider appropriate measures to mitigate the potential negative impacts. This may include finding creative cost-cutting measures – where possible – whilst maintaining quality of programming. This might include increasing partnerships and collaboration between stations and exploring alternate revenue streams. The available public funding initiatives would also gain in importance in this scenario.

5.2.2 Alternate scenario 2: economic recession

As per the current projections by the Central Bank, GDP is forecast at 5.6 per cent for 2023 and 4.8 per cent for 2024. As such, an economic recession (two consecutive quarters of negative GDP growth) seems an unlikely prospect. That said, giving macroeconomic instabilities, it is prudent to consider the outcomes for the sector should circumstances change in the coming years.

A recession scenario would lead to a range of negative outcomes for the sector. The most likely and significant outcome is a downturn in revenues for the sector. This would likely occur as slowing growth leads to rising unemployment rates, which stifles demand and leads to a decline in spending across the economy, including advertising. This risks a downward spiral in which declining advertising could cause consumer spending to drop further, putting more downwards pressure on advertising budgets. This downturn in revenues would likely be experienced across the breadth of the sector, with smaller players especially vulnerable as they rely on local advertising and do not have international revenues.

In addition, there is likely to be upwards pressure on costs for stations as they experience reduced bargaining power with their suppliers.

The compounding of these impacts would result in a decline in profits across the industry, with growth in costs and a decline in revenues. This could lead to a decrease in the overall quality of radio programming, if stations seek to reduce costs by cutting back on programming and talent. Additionally, the quality of staffing may decline, if radio stations are not able to offer competitive salaries or benefits, resulting in a reduced ability to attract and retain talented employees.

These negative outcomes seem more likely for local independent radio stations, which are more reliant on local advertising revenue and may have less financial flexibility to deal with the impact of a recession. Local advertising revenues are likely to be particularly affected in a recession, as smaller advertisers are likely to be among the first to cut marketing budgets. This could result in the market shares of the major commercial ownership groups increasing, and smaller stations declining.

These outcomes are likely to be more severe than those discussed in Alternate Scenario 1. In this scenario, it is more likely that some stations would face challenges to their viability, especially at a local level.

5.2.3 Alternate scenario 3: a more rapid return to stability

Another scenario to consider is one in which the Irish economy returns to a state of stability faster than expected. In this scenario, economic growth would be relatively high, whilst inflationary pressures would ease due to effective monetary policy. In this scenario, there would be a number of positive outcomes for the sector.

Firstly, the heightened inflationary pressure that stations are currently experiencing would decrease. For example, the expected hike in energy prices could be lower than expected, and inflationary pressures on staffing costs would ease. Moreover, there would be positive outcomes for revenue, with the advertising market starting to grow more healthily, at 2-3 per cent growth rather than 1-2 per cent as seen from 2019-2022 and as anticipated in the base case. These rises would be likely to occur both at an agency level (as advertising budgets pick up) and at a local level (as local businesses recover at an increased rate). These would compound to bolster sector profitability, which in turn would enable a greater degree of investment for radio stations, leading to improvements in areas such as programming, staff retention and digital.

Whilst this scenario seems very positive for the industry, it is important to caveat that the likelihood of such a scenario is low. This is not only because the Central Bank forecasts indicate continued inflationary pressures in 2023 (although lower than many had feared), but also because the forecasts of the Central Bank appear to be among the most optimistic when compared to other similar forecasts[30]. And of course, the wider structural shifts towards digital would also remain.

[30] See previous footnote

In the context of our forecasts, we examined pressures and opportunities facing the Irish commercial radio sector

6 Specific pressures and opportunities, including structural factors

Having examined the wider market trends affecting Irish commercial radio and the industry's current and projected financial situation, we are now able to assess economic viability, both from an overall industry perspective and looking at specific segments.

Looking at the overall industry, there are a number of indicators that suggest that in the short-term, the Irish commercial radio sector is in a generally healthy position, including:

- Listenership is very healthy overall, far ahead of the European average. This is reflected by strong reach and consumption data, with daily minutes consumed in 2022 ahead of where they were in 2010 (helped by a revival during the pandemic).
- While pre-pandemic listenership trends show a gentle decline, our forecasts suggest that in the short-term radio will continue being a relevant and important medium, with reach and consumption remaining resilient.
- Overall industry revenues are higher in 2022 than they were pre-pandemic in 2019. Within this, agency sales have surpassed their 2019 numbers, and we project local sales to complete their recovery by 2024.
- Although industry costs have risen since 2019, by €7 million, they have grown at a slower rate than revenues, leading to an overall growth in aggregated EBITDA.
- Looking ahead until 2024, we project the industry to see costs rise, due to Ireland's current inflationary environment. This said, the overall sector should remain profitable, as revenues are projected to continue growing.

Whilst these trends look positive for the overall sector, there are indications that there are likely to be specific pressures within certain segments of the industry. In addition, there may be some opportunities that certain segments will be able to capitalise on more than others.

6.1 We anticipate some challenges for local independent stations

From our analysis of the data and our consultations with industry stakeholders, we have identified challenges that local independent stations are likely to face. These are specific cost pressures, and pressures on the provision of local news and information.

6.1.1 There are likely to be pressures around staff costs in particular

In Section 4, we highlighted the challenges facing local independent commercial radio stations, including the slower recovery of revenues to pre-pandemic levels and evidence of cost-cutting measures. To gain a deeper understanding of these challenges, we consulted local radio stations, both through self-reporting forms and interviews.

In these discussions, we consistently heard that local independent stations are facing ongoing cost pressures, with revenues remaining stagnant and a need to maintain profitability. As a result, staffing and remuneration costs have been held down, leading to concerns about attracting and retaining qualified staff. Stations reported high levels of staff turnover, with some staff members not receiving pay raises for up to a decade.

Adding to these pressures, stations also expressed concerns about rising energy costs, which some expect to double in 2023. Given the energy-intensive nature of their operations, with each station having their own transmitters, this may be particularly difficult for local stations, which also have thinner bottom lines.

6.1.2 Local news provision could be affected where cost cutting is required

Local radio stations in Ireland rely heavily on local news and information as a key part of their offering, which sets them apart from national stations and fosters a strong connection with their local community. However, we heard that providing this content is becoming increasingly expensive due to inflationary pressures. In interviews, local stations said that they are struggling to increase pay for their newsroom staff at the same rate as other industries, resulting in higher staff turnover and difficulties attracting talent at junior levels due to less competitive pay.

Despite the importance of local news programming, increasing pay is a challenge for local stations given the high costs associated with its provision. For instance, one station mentioned that they have four full-time news staff, two sports staff, and an additional seven or eight part-time staff to cover local sports matches on weekends. The station offers live coverage of a football match every weekend, which requires three staff members to attend and often incurs travel costs. As a result, we heard that the costs of running a newsroom for a local station can be up to double that of a larger regional station.

Looking to the future, many local independent stations expressed concerns that the rising costs, in particular labour costs, of local news provision could make it financially unviable for them to continue offering this content. This could result in a reduction of local news programming and a pivot towards more generalist programming. At the same time, this could diminish their unique status among their local communities and lead to a decline in listenership, negatively impacting their revenue and financial viability. Some stations even described the current situation as a 'crisis point'. Some expressed concerns that the press sector, which has recently received VAT relief, would be in a strengthened competitive position vis-a-vis local radio journalism.

Across our interview programme we consistently heard that the provision of local news programming is one of the most significant pressures facing local independent radio stations in Ireland. If not addressed, stations underlined that this could affect the public service that local news performs in sustaining local democracy, accountability and community cohesion, and potentially lessening media plurality at the local level.

This issue was also raised in Future of Media Commission Report. It noted the submission from the Independent Broadcasters of Ireland (IBI), that 'the largest share of expenditure for radio stations is staffing costs to produce news and current affairs content, and that in the current economic circumstances, cuts have been inevitable in order to survive'[31].

As noted elsewhere, it is beyond the scope of this report to examine to what extent efficiencies have already been made by broadcasters and to what extent programming would be affected by further savings.

6.2 Digital may present opportunities as well as challenges for the sector

One key potential opportunity for the commercial radio sector overall is to embrace digital technology and diversify its revenue streams. These opportunities include video content across social media and video sharing platforms (such as YouTube), podcasts, and mobile apps.

[31] Report of the Future of Media Commission, 2022

6.2.1 To date, the strongest move towards digitisation has come from the largest commercial radio group

Bauer has become first mover in the digital audio space, with apps, video content on digital platforms/social media, and a range of podcasts. This suggests that major national commercial stations, and a large ownership group, are advantages in terms of capacity and in-house know-how, as well as providing better economies of scale for any digital offerings. For example, Bauer is able to draw on experiences from other markets in its international portfolio, where the digitalisation of audio is greater.

When we consulted with Bauer, they expressed optimism about digital as a nascent area with the potential for growth of up to 50 per cent each year, although it was starting from a small base.

Examples of their digital initiatives include YouTube channels for national stations, which upload multiple videos clips of their programming each day. The channels also feature YouTube Shorts, which summarise the biggest stories. Subscriber numbers have reached 60,000 for Newstalk and 28,700 for Today FM (as of March 2023). Social media initiatives extend to other platforms such as Instagram and TikTok, where Newstalk has 98,000 and 39,000 followers respectively, putting out short clips of its best content.

Bauer also has invested in building a podcast portfolio. For national stations, this includes highlights from popular radio shows and dedicated podcast series. Local stations Spin 1038, 98FM, Spin Southwest and Red FM also offer podcast clips of radio shows. Bauer's larger podcasts are typically available across Spotify, Apple Music and YouTube, with podcasts from local shows on the Bauer-owned Go Loud Player.

Meanwhile, the Newstalk app enables listeners to access radio shows (live, catchup and see schedule), music (with a playlists feature) and podcasts. The need to invest in the technology to support an app can be the biggest barrier to entry for independent stations – we mention the joint industry Irish Radioplayer app below.

6.2.2 Data suggest that demand for digital services is likely to be strongest for listeners to regional and local stations

The digital initiatives from Bauer provide examples of the steps that radio broadcasters can take to adapt their offering to digital audiences. However, before investing in this area, smaller broadcasters may wish to assess the potential demand for digital services among their audiences.

JNLR data enables us to segment listenership to understand what the digital opportunity may look like for different types of broadcasters. **Table 8** shows how each age group's listening breaks down by type of station, based on regionality. This data firstly highlights how listening to regional stations skews towards the younger 15-19 and 20-24 demographics, far ahead of the national commercial stations. However, some local stations lead in share of commercial radio listening across all age groups, being similarly strong to regional stations for the 15-19 age group. That said, they are even more popular with the 55-64 and 65+ demographics, with 66 per cent and 78 per cent share of these respective demographics. In contrast, share of listening for national stations is strongest for age groups between 25 and 54.

Table 8: Share of commercial listening minutes, by type of station, 2022

Station	AGE						
	15-19	20-24	25-34	35-44	45-54	55-64	65+
National (Newstalk / Today FM)	5%	6%	20%	24%	25%	14%	5%
Regional	42%	33%	19%	11%	7%	3%	0%
Home Local	45%	49%	49%	50%	41%	66%	78%
Other Regional / Local / Multi-city	9%	11%	12%	15%	27%	18%	17%

JNLR data can also show the devices listeners use to listen to radio. **Table 9** shows that whilst the vast majority of listeners across all stations use an AM/FM radio, digital listenership is strongest for regional stations (with 9 per cent listening via smart speaker and 7 per cent listening via mobile device). This again points to regional stations having a strong share of younger, digitally savvy listeners. In contrast, local radio leads for listening on an AM/FM radio.

Table 9: Radio listening by device used to listen, averages by regionality, 2022

Device used for listening	National	Regional	Local
On AM/FM radio	86%	80%	90%
On PC/laptop	2%	3%	2%
On Mobile Device	4%	7%	4%
On TV set	0%	0%	0%
On Smart Speaker	8%	9%	4%

Overall, the data therefore points to regional stations being especially well-placed to capitalise on the opportunity of digital services, with a younger-skewing and digitally engaged audience. Indeed, the relatively strong listening among smart speakers and mobile devices for regional stations suggests that these stations are starting to capitalise on this opportunity. iRadio, which skews particularly young, is one such regional station actively pursuing digital initiatives, creating content across YouTube, TikTok and Instagram, having its own bespoke mobile app, and releasing clips from its programming as podcasts.

There also appears to be an opportunity in digital services for local stations, with local stations still commanding a strong audience amongst younger demographics. In this case there may be a strategic question of timing, to retain any listeners transitioning to digital without accelerating the shift, given the current strength of AM/FM listening and the relative uncertainty of digital revenues compared to broadcast advertising. There is also the question of capacity, in terms of skills and resources.

6.2.3 Smaller broadcasters are less well equipped to make the most of the digital opportunity

When we consulted with local stations about digital audio, we heard that some steps have already been taken to capitalise on the digital audio opportunity. Firstly, stations broadcast their radio online through the industry-wide Irish Radioplayer app, connecting local radio to a digital audience. There have also been other digital initiatives, such as one station explaining how they had given specialist training to staff to enable them to incorporate visual elements into their shows, and another explaining how it is common practice for management to consider how each output they produce can have a digital element.

However, our consultations revealed that the majority of local stations anticipated challenges in fully realising opportunities for new types of digital audio. These stations explained that they viewed digital as a high investment with little reward, and unlikely to be a gamechanger. For smaller independent stations, investing in digital means upgrading equipment and software, training existing staff and hiring specialist skilled staff, all of which requires investment. Stations said this investment is challenging to justify, not only because of the existing pressures on these stations' finances, but also because it is unclear how this investment will provide a return given the low levels of monetisation available. AudioXi[32], the Bauer-owned programmatic trading platform for digital audio, offers stations one avenue for digital monetisation, and is used by local stations such as Radio Kerry and Shannon Side / Northern Sound. Without a clear perception of monetisation opportunities, however, it is unlikely that local stations will make the investments necessary to produce additional digital content such as podcasts or social video.

This may be more pressing for stations with a younger audience demographic but will become an issue for all over time as today's younger audiences retain their digital habits as they age. Therefore, a situation where national and regional stations embraced digital while smaller local stations faced challenges to invest would be concerning for the longer-term, even if the latter seem somewhat protected for now.

As the radio industry continues to evolve, it's essential for stations to prioritise digital technology as a means of diversifying their revenue streams and accessing younger audiences. Investing in digital capabilities is crucial to staying competitive and relevant in an ever-changing landscape. By doing so, stations can position themselves for success in the future.

6.2.4 These pressures could combine to result in further consolidation

With the likely cost pressures discussed in Sections 6.1.1 and 6.1.2, combined with the obstacles making digitalisation challenging discussed in Section 6.2.3, it therefore seems likely that there will be challenges for some stations in the coming years, particularly for smaller, local and independent stations. It is worth considering whether these pressures might culminate in further consolidation in the radio market, as stations that are under-pressure decide to sell to larger players. Consolidation can bring many benefits in terms of consistency of profits, risk sharing, economies of scale and ability to invest. As well as the usual considerations around competitive impact, retaining sufficient plurality at the local level, especially in news, would likely be one of the main questions for policy makers.

[32] https://audioxi.com/about/

And set out potential measures to help support the commercial sector

7 Potential measures to support the sector

This part considers potential measures to support the commercial radio sector, notably independent local radio stations, which we have previously identified as being under greater financial pressure. We consider short-term public funding measures available in 2023 – the Sound & Vision Scheme, the Local Democracy Reporting Scheme and the Courts Reporting Schemes. We have also looked at two public funding schemes that are due to become available from 2024, the News Reporting Schemes and Supports for Digital Transformation. In each case, we have set out observations about a scheme's likely relevance to the opportunities and challenges identified in this report. We then turn to the future levy or levies and identify potential areas for consideration when developing its detailed design.

In our interview programme, commercial radio stations were overall positive about the level of support provided to the sector by the BAI. They felt that the support that the BAI had provided during the crises of 2007 and 2020 had been invaluable and in many cases crucial to their businesses' survival.

7.1 The Sound & Vision Scheme benefits commercial radio in relation to additional programming, excluding news and current affairs

Sound & Vision is a contestable fund designed to support new Radio and TV broadcast programmes on Irish culture, heritage and experience, programmes to improve adult or media literacy, and programmes that raise public awareness and understanding of global issues.

Sound & Vision has funded valued additional programming, although stations would favour a more streamlined application process

In our interviews for this report, some multi-city/ regional stations praised Sound & Vision as a useful asset for funding programming that a station would not usually make. One regional broadcaster explained how it had won several awards for its special programming, which would not have been possible to produce without Sound & Vision funding.

At the same time, both regional and local radio stations would prefer the cost and resource implications of applying for Sound & Vision funding to be reduced. Smaller stations said they found the process most challenging. Coimisiún na Meán might look at whether it is possible to further streamline the applications process, while maintaining the necessary transparency and accountability around the allocation of public funds. We would also observe that building on the use of Targeted and Sectoral Rounds under S&V 4, alongside regular Open Rounds, is a useful way to take account of different segments and themes and to allow the assessment phase to consider more comparable proposals.

The legal scope and objectives of the Sound & Vision Scheme are determined by the legal framework

The objectives and design of the Sound & Vision Scheme are constrained by statute. The Scheme is not designed to fund existing programming. The Broadcasting Act 2009. S154 refers to 'new… sound broadcasting programmes' and s155 sets out the objective to 'increase the availability of' high quality programmes based on Irish culture, heritage and experience, including in the Irish language. To reflect the statutory requirements, the BAI Scheme for Sound & Vision 4 states, 'Sound and Vision facilitates the production of culturally relevant content for Irish audiences *that would not otherwise be made*' [emphasis added]. The Act also specifies that the Scheme 'may not provide funding for programmes which are produced primarily for news or current affairs'. Other public funding schemes are due to be established under the Media Fund, which are targeted at news.

In the interview programme for this report, local independent radio stations also commented that the Sound & Vision Scheme is different from and not designed for the purposes prioritised by the stations – support for existing programming that is under pressure, notably news and current affairs. Local stations also said that they require sustained funding to cover the costs of employing staff, particularly in local news and sports reporting. Instead, Sound & Vision is designed to provide a one-off award to help fund a particular programme or series, excluding news and current affairs. These are often recorded programmes, such as a documentary, rather than live radio, although for example Round 45 was targeted at programming that supports the live music sector in Ireland. Local stations also commented on the overall financial value of Sound & Vision funding to their stations. The funding may go to an independent producer, while the broadcaster contributes to the total programme budget and releases staff to support the project. Local broadcasters said that revenues from carrying a Sound & Vision funded programme did not necessarily compensate, as it may perform less well than the programming it replaces in the schedule.

Independent local radio broadcasters contrasted the scope of the Sound & Vision Scheme with the zero VAT rate recently applied to newspapers and digital publications, which is not contestable and not tied to a particular activity or content, giving a simple reduction in costs and freedom to invest as each business considers appropriate. Local stations considered that a reduction or waiver in the BAI levy would have provided similar benefits. They also said that they are in competition with the press for journalist staff.

Nonetheless, as seen in Part 4, the independent local radio segment has benefitted from Sound & Vision 4, with a higher share of applications than national and regional commercial radio stations (around two-thirds of the total), a similar share of successful applications, and over 60 per cent of the funding awarded to commercial radio – rising to over 80 per cent for the two COVID-19 Sectoral Rounds. The BAI has worked to include Targeted and Sectoral Rounds, which are adapted to different broadcasting sectors and segments or programming types.

7.2 Several new support schemes will exist under the Media Fund

As mentioned, a Media Fund with new funding schemes is being established and will be administered by Coimisiún na Meán. These include schemes relevant to the provision of news, as well as digital transformation. In line with the recommendations of the Future of Media Commission, it is expected that legislation will be brought forward to place the Media Fund on a statutory basis.

7.2.1 The Local Democracy Reporting Scheme and the Courts Reporting Schemes

Under the Government's Future of Media Commission Report Implementation Strategy and Action Plan, €6 million is being made available in 2023 for the commencement of the Media Fund on an administrative basis. The initial priorities are the development and roll out in 2023 of the Courts Reporting and Local Democracy Reporting Schemes. These will be open to local, regional and national media on a platform neutral basis. The detailed design of the schemes shall have regard to the principles of the Department of Public Expenditure, NDP Delivery and Reform's Public Spending Code, which requires public spending to take into account deadweight, displacement and additionality issues.

The Local Democracy Reporting Scheme 'will ensure local media can keep the public informed on areas such as Regional Health Forums, Joint Policing Committees and Local Authorities - it will provide additional funding for Gaeltacht areas'. Meanwhile the Courts Reporting Schemes 'will enable improved reporting from local, regional and national courts, including coroner's courts'[33].

[33] Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media, 'Future of Media Commission Report Implementation Strategy and Action Plan', 2023

The scheme scoping and design phases could take account of the specificities of different areas of the media

The broad parameters of the schemes are due to be developed by the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media (TCAGSM) and Coimisiún na Meán will carry out detailed design including stakeholder consultation, to be completed by end Q2 2023.

Recognising that the schemes are to be operated on a platform neutral basis, a question for this phase, including the related legal advice, is how the specificities of the different areas of the media might be taken into account, such as their business models and editorial processes (for example, a broadcast project may involve a news reader while a print project may involve a sub-editor). These could inform the design of the application process, for example, so that it is appropriate and does not hinder any areas of the media from applying to the Schemes.

It would then be a separate question whether the Schemes may include rounds where funding is awarded to more sustained projects. This seems relevant to the policy objective of supporting ongoing local news reporting, which relies on retaining skilled staff.

In interviews for this report, independent local radio broadcasters noted that they were interested in ongoing funding to support existing activities in news, which is different from the additionality requirement for these Schemes. Some also said that the content supported by these Schemes may not be suited to their target audience, especially the Courts Reporting Schemes for music stations targeting young audiences.

the Independent Broadcasters of Ireland submission to the Future of Media Commission, in arguing that a (different) new fund should be made available for public service content on commercial radio stations, stated that this 'would mean that additional staff could be recruited to increase the quantity of coverage of Councils, Courts and community events'[34].

7.2.2 The News Reporting Schemes

Under the Government's Implementation Strategy mentioned above, the News Reporting Schemes are intended to support 'journalism reporting on matters of public interest which are less reported, or at risk of under provision'. Such schemes should be contestable and platform neutral. Current examples of such public interest supported journalism are given as the Global Ireland Media Challenge Fund and the Simon Cumbers Media Fund as operated by the Department of Foreign Affairs, which provides cross-platform contestable funding for journalism focused on developing countries, to facilitate Irish media engagement in significant geo-political events and to foster and broaden the Irish public's understanding of Ireland's role in the wider world.

Again, the scoping and design phases could take account of the specificities of different areas of the media

As above, it is for the TCAGSM to develop the broad parameters of these Schemes, with Coimisiún na Meán then carrying out the detailed design. In this case, the Schemes are due to be in place by Q4 2024. We would observe that this policy development process, and related legal advice, might usefully consider the specificities of different areas of the media such as their business models and editorial practices. These may be taken into account in the design of the Scheme including the application and assessment processes, so that these are appropriate and do not hinder any areas of the media from applying.

The sustainability of local sports reporting was also raised by independent radio stations in our interview programme. In the Future of Media Commission Report, the Commission suggested that the News Reporting Schemes could also include sports reporting: '*the Commission acknowledges the importance of sports reporting at*

[34] Submission from the Independent Broadcasters of Ireland, The Future of Media Commission, January 2021

local level and recognises that this type of reporting may be at risk of under-provision. Sports reporting could therefore fall in scope under the proposed news reporting schemes for public interest journalism less reported on or at risk of under provision'. In the Government's Implementation Strategy and Action Plan, Coimisiún na Meán is asked to develop a Strategic Plan for Sports Broadcasting by Q1 2024, in collaboration with Sports Ireland.

7.2.3 Supports for Digital Transformation

The Government's Future of Media Commission Implementation Strategy and Action Plan provides for an innovation and digital transformation strategy and a targeted scheme for digital transformation by public service content providers (PSCPs) under the Media Fund, having regard to funding levels. These supports are intended to provide 'support to sustainable media organisations in need of help to innovate and transition to the digital information environment'.

Under the Implementation Strategy, Coimisiún na Meán will develop an innovation and digital transformation strategy by 2024. TCAGSM will develop the broad parameters of the Scheme and Coimisiún na Meán will carry out the detailed design, including appropriate stakeholder consultation.

This seems relevant to some of the digitisation pressures we have highlighted, especially those facing smaller local stations, where stations meet the qualifying criteria. For the Scheme to be suited to smaller organisations in the media, it will be important to consider a proportionate application process, and whether the Scheme design may allow for the scenario where smaller organisations need to backfill staff involved in digital transformation activities in order to maintain their existing services, and may not have the resources to do so without support.

7.3 The structure of a future levy could also be designed to help support the sector

Under Section 21 of the Broadcasting and Other Media Regulation Acts 2009 and 2022 (BOMRA), Coimisiún na Mean may impose a levy on providers of sound broadcasting services (and/or providers of AVMS and/or providers of designated online services). The amount of all levies imposed must be 'sufficient to meet the Commission's expenses properly incurred' and its working capital requirements for the levy period, where these are not met in another way. This means that, in calculating the amount of a levy, Coimisiún na Mean is required to consider the expenses it has incurred in the levy period from regulating a type of service, as a proportion of its expenses from regulating all service types covered by the levy.

7.3.1 In determining the new levy there are several considerations

The detailed calculation and administration of the levy will be set out in a levy order or orders. Under the Acts, this may 'make different provision for different providers', including providers of the same type of service such as sound broadcasting services. When setting out the method for calculating the levy and making provision for any exemptions or deferrals, Coimisiún na Mean shall consider, *inter alia*:

(a) The provider's financing, including any public funding
(b) The desirability of promoting new or innovative services
(c) The nature and scale of the provider's services

In the Report Stage debate on the OSMR Bill in the Dáil on 30 November, the Minister noted the regulatory principle that 'a regulated service should only contribute to the cost of functions related to that service', and that as a result levies applied to other types of providers could not fund a reduction in a levy on commercial radio broadcasters. This principle is reflected in section 21(5) of the Acts.

Community broadcasting services are exempted from the levy under the Act.

7.3.2 The structure and level of the BAI levy provides a useful reference point

The BAI broadcasting levy remains in operation for broadcasters under the transitional provisions of the OSMR Act. The levy model has a regressive sliding scale; a percentage levy is applicable to the portion of a station's qualifying income that falls into each qualifying income band.

The BAI broadcasting levy remains in operation for broadcasters under the transitional provisions of the OSMR Act. The levy model has a regressive sliding scale; a percentage levy is applicable to the portion of a station's qualifying income that falls into each qualifying income band.

Under the levy calculation model, the levy percentage applied to each band has varied moderately between years, to reflect the fact that the Authority's expenses have varied annually. Table 10 below shows the 2021 percentage levy for each band of qualifying income (these percentages are calculated annually). There is a minimum qualifying income level of €500,000 for those who pay the levy; stations under this level pay a fixed sum of €250. VAT is added to the levy at 23 per cent.

Table 10: BAI levy structure

Base Year Qualifying Income	Percentage Levy (2021 Actual – this changes annually)
€1 to €1,000,000	2.01%
€1,000,001 to €10,000,000	1.76%
€10,000,001 to € 20,000,00	1.51%
€20,000,001 to €45,000,000	1.26%
Over €45,000,000	0.26%

Having considered the requirements of the OSMR Act and the existing BAI broadcasting levy structure, we have made some observations about the future levy or levies. We understand that Coimisiún na Meán is due to review and consult on its overall approach to the future levy or levies, so these are suggestions of some areas that might be explored as part of the initial policy analysis only.

7.3.3 Potential adaptations could include altering the bands within the levy scale

With a few exceptions, all commercial radio stations pay up to the €1,000,001 to €10,000,000 levy band. This is a wide band, and there is considerable diversity between the stations in terms of their ownership status, geographic reach, or income levels at station or overall group level. It may be worth considering whether further breaking down or altering the current band ranges would be a feasible and appropriate approach. We recognise that the time required for policy development, the adoption of an amended levy order and the design of a new levy model may make this a medium-term measure for after this report's focus period of 2023-24. In doing so, it would be important to assess any impacts on other stations in the sector, or for other sectors that will also pay the new levy or levies.

7.3.4 The definition of ‘qualifying income’ is another area that could be considered

For the BAI broadcasting levy, the definition of ‘qualifying income’ determines the percentage level of the levy that applies to a station. The Levy Order 2010[35] provides that any grant from the Government or a public body is qualifying income, with the sole exception of funds paid by the BAI under a ‘broadcasting funding scheme’. To date, this has meant Sound & Vision funding. As the new schemes under the Media Fund are established, it may be appropriate to consider if funding or support that stations receive from these schemes should be treated in the same manner. It may also be appropriate to assess whether other types of public funding initiative can and should be exempted. In doing this however, it would be important to assess the relative impact on the qualifying income of the different parties in the sector as any reduction in the levy payment for one entity would have to be taken up by other levy payers.

We understand that the original policy rationale for excluding public funding from qualifying income calculations was to ensure that RTÉ and TG4, which receive licence fee funds and grant in aid respectively, pay the levy on the same basis as commercial broadcasters. On this basis, an amended levy would still include PSM public funding as qualifying income but any grants that are excluded from qualifying income for commercial radio stations would then also be excluded for RTÉ (as for Sound & Vision). We recognise that policy makers may also need to consider the implications for other types of provider (sectors) that receive grants, particularly through schemes under the Media Fund.

[35] Statutory Instruments S.I. No. 7 of 2010, Broadcasting Act 2009 (Section 33) Levy Order 2010

Conclusion

8 Conclusion

Digitalisation is bringing significant changes to the audio and radio industry across Europe, with increased competition from digital audio and a gradual shift in listening towards online. Broadcast radio reach and listening remains high and above the European average, although digital audio services are growing in Ireland, especially among younger listeners.

Looking at financial viability in 2019-2022, we find that the Irish commercial radio sector suffered significant financial losses during COVID-19 but has bounced back overall. Top-line revenues have grown and although costs have also risen, the sector's overall profitability is up, with sector EBITDA at €27 million (up from €18 million in 2019). Within this, local and independent stations are under greater pressure as they are more reliant on local advertising sales, which have not yet fully recovered since the pandemic. This is a reasonably robust performance that suggests all segments remain financially viable in 2022, while some challenges are present.

Considering our forecasts for the sector in 2023 and 2024, in a baseline scenario, we find that listening will continue its very gradual decline but remain in a strong position in 2024. We expect top-line revenues to grow modestly, driven by local sales completing their recovery and continued growth in total non-broadcasting revenues. Nonetheless, although there is significant uncertainty, we expect costs to grow at a faster rate than revenues, as energy and staff costs rise.

We anticipate that this will put greater pressure on some parts of the industry than others, in particular local independent stations. Savings may be made to maintain profitability in 2023-24; we have not assessed to what extent efficiencies have already been made or further savings would affect output as that requires a benchmarking exercise beyond the scope of this report. We heard in interviews that constrained budgets are affecting staff recruitment and retention. Local independent stations also stated that sustaining local news provision could come under further pressure.

There are also likely to be opportunities for the commercial radio sector in the coming years, especially around digital. The largest commercial group has taken steps in this space, as well as some regional broadcasters. Exploiting this opportunity requires investment, however, and there is a risk that some local stations are left behind longer-term if they struggle to fund the necessary investments.

Supporting the future of the sector

There are both short- and longer-term measures that may be considered to support the commercial radio sector:

- **Sound & Vision Scheme:** this has provided benefits to the commercial radio sector. We set out some recommendations for consideration by Coimisiún na Meán on further strengthening the administration and operation of the Scheme, building on its approach to Sound & Vision 4
- **New schemes under the Media Fund:** the News Reporting Schemes and Digital Transformation Schemes might be most relevant to the sector, where the Scheme criteria are met. We would observe that a streamlined application process and taking into account the specificities of different areas of the media in Scheme design are likely to enhance the value and practicality of the Schemes
- **New levy structure:** options for consideration by Coimisiún na Meán may include further segmenting qualifying income bands

Appendix

Appendix

This appendix provides a list of commercial radio stations included in this study, as well as the list of the stakeholders interviewed for this report.

Table 11: List of commercial radio stations included in this study

Station	Area	Regionality	Ownership
98fm	Dublin	Local	Bauer Media Audio Ireland
Beat	Waterford, Carlow, Kilkenny, Wexford and Tipperary	Regional	The Irish Times
C103FM	Cork	Local	Wireless Group
Cork's 96FM	Cork	Local	Wireless Group
Clare FM	County Clare	Local	Clare Community Radio Holdings
Classic Hits Radio	Greater Dublin, County Cork, County Limerick, County Clare and Galway	Multi-city & DC	Bay Broadcasting Ltd
East Coast FM	Wicklow and Environs	Local	Heart Media Limited
FM 104	Dublin	Local	Wireless Group
Galway Bay FM	County Galway	Local	The Connacht Tribune Ltd
Highland Radio	County Donegal	Local	Orangold Ltd
iRadio	Border, West, Mid-East and Midland regions	Regional	Highcross Communications
KCLR	Counties Carlow and Kilkenny	Local	CK Broadcasting Ltd
KFM	County Kildare	Local	County Kildare FM Radio
Limerick's Live 95	Limerick and Munster	Local	Wireless Group
LMFM	Counties Louth & Meath	Local	Wireless Group

Midlands 103	Counties Laois, Offaly and Westmeath	Local	Tindle Radio Group
Mid West Radio	County Mayo	Local	County Mayo Radio Ltd
Newstalk	National	National	Bauer Media Audio Ireland
Ocean FM	South Donegal, North Leitrim and Sligo	Local	Knocknarea
Q102	Dublin	Local	Wireless Group
Radio Kerry	County Kerry	Local	Radio Kerry Holdings
Radio Nova	Dublin and surrounding areas	Multi-city & DC	Bay Broadcasting
Red FM	Cork	Local	Bauer Media Audio Ireland
South East Radio	South East region	Local	Corrmuda Ltd
Spin 1038	Dublin	Local	Bauer Media Audio Ireland
Spin South West	Limerick, North Tipperary, Laois, Kerry, Clare	Regional	Bauer Media Audio Ireland
Shannonside / Northern Sound	Counties Cavan, Monaghan (Northern Sound Radio), Leitrim, Longford and Roscommon (Shannonside FM)	Local	Radio Kerry Holdings
Sunshine 106.8	Dublin	Local	Heart Media Limited
Tipp FM	County Tipperary	Local	Clare Community Radio Holdings
Today FM	National	National	Bauer Media Audio Ireland
WLR	Waterford City and County	Local	The Irish Times

List of stakeholder interviewees

As part of this study, we spoke with a range of external industry stakeholders and Coimisiún na Meán staff, to gather their insights into the state of the commercial radio sector. These interviews were conducted between February and March 2023.

List of stakeholder interviewees:

- Coimisiún na Meán staff
- Beat 102 / 103 FM
- Bauer Media
- Clare FM / Tipp FM
- Classic Hits
- Highlands Radio
- IBI
- iRadio
- Radio Kerry
- Radio Nova
- Urban Media
- Wireless
- WLR FM