

10th February 2010

Ralph Publicover
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Committee Office
House of Lords
London
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By email: publicoverr@parliament.uk

Dear Sir,

Thank you for inviting me to give evidence to the House of Lords Communications Committee on 3 February 2010. My purpose in writing is to provide some supplementary information which I was unable to put across during oral evidence.

Data on radios in circulation

As I explained, and contrary to speculative evidence provided to the Committee by Digital Radio UK and RadioCentre, there are at least 120m analogue radios in circulation. This is based on the UK's 25m households having an average of four sets each. Of these, studies indicate that there are at least 90m analogue radios in regular use.

- RAJAR indicates that there are 90m analogue radios in homes¹, whilst the SMMT indicates that there are around 31m in private and commercial vehicles². This produces a total of 121m, which still excludes workplaces, shops and public places.
- Separate Ofcom data cited by RadioCentre and Digital Radio UK indicates that there are 51.9m analogue radios in use in households at least once a month, plus a further 22.5 analogue radios in cars – giving a total of 74.4m analogue radios in regular use in cars and households. This excludes commercial vehicles, workplaces, shops and public places – indicating around 90m analogue radios in regular use across the UK

¹ See Ipsos Mori, 'The Future of Radio', January 2010, http://www.ipsos-mori.com/DownloadPublication/1334_MediaCT_thoughtpiece_The_future_of_radio_Jan19_WEB.pdf

² See <http://www.smmt.co.uk/articles/article.cfm?articleid=21185>

Furthermore, DAB receiver sales have gone into reverse:

- 10m DAB receivers have been sold in the UK – it is not known how many are not in regular use, although anecdotal evidence suggests that the proportion may be significant
- Annual sales grew from 900,000 in 2004 to 2.2 million in 2008 but have now fallen to 2.0 million in 2009, suggesting that consumer interest in DAB has plateaued

The benefits of introducing DAB+

During the 3 February oral evidence session, the Committee appeared to be under the impression that the effect of introducing DAB+ would be to create more stations. In fact, because a single DAB+ broadcast is up to three times more efficient, replanning the UK's digital platform with a view to moving to DAB+ at or shortly before switchover would enable the creation of a network with the ability to offer

- Digital migration opportunities for all local stations that want them
- Improved digital radio reception, by offering higher per-station bit-rates to the likes of Radio 3 and;
- Lower transmission costs, with the opportunity to remove duplication in the transmitter network in e.g. the West Midlands.

If DAB+ were introduced, fewer transmitters would be required than if the UK's digital radio network were to be built out using DAB. This would ensure no excess capacity, and would certainly improve the economics of digital radio by defraying broadcasters' costs more efficiently.

The Committee should be aware that DAB+ is still a fairly new technological development, and that the Government has not yet undertaken a study of the impact of a DAB+ enabled network for the UK. The evidence suggests that this is sorely needed:

- Countries which have implemented DAB+ include Germany and Australia
- A September 2009 report for the Broadcasting Commission of Ireland suggested strong emerging support for DAB+
- The Government has acknowledged a future move to DAB+ may be desirable, enabled by its support for the World DMB common chipset (the so-called 'Euro Chip'), but has not translated this into a requirement for all sets sold to be DAB+ activated (sets sold in this country with DAB+ chips are likely to have the new technology deactivated due to IP licensing issues)
- In its own evidence to the committee, the BBC acknowledged the potential for a move to DAB+ in the long-term

Unfortunately, debate about the introduction of DAB+ has been confused by concern about the fate of the UK's 10m DAB receivers, and a desire not to delay a switchover which could be just five years away.

However, if it is accepted that switchover will not occur as soon as 2015, as all the empirical consumer data suggests, then it is crucial that we plan a switchover that takes account of the network which the UK will need in 2020 or whenever switchover might be more feasible.

A move to DAB+ over this timescale is also eminently feasible from a consumer perspective, as it is likely that by 2020, the vast majority of digital radio sets in UK homes would be DAB+, since DAB+ receivers would have by then been on sale for 10 years or more.

If we accept this more realistic timetable, the industry will avoid committing unnecessary resource to building out the UK's digital radio network to use the less efficient DAB standard, and can instead plan the network with DAB+ in mind, requiring fewer transmitters to deliver the same level of capacity with improved reception in areas where further capacity is not needed, and additional capacity where local radio stations cannot go digital but would like to.

This also means that a move to DAB+ increases the chances of the UK enjoying a successful digital radio switchover.

What the Government should do now:

- Commit to giving all local commercial radio stations an opportunity to go digital at or before switchover
- Ensure that all sets on sale are DAB+ activated so that a 'digital upgrade' to DAB+ can occur at or ahead of switchover, if proven to be desirable
- Undertake an independent and economically comprehensive cost benefit analysis of a migration enabled by DAB, an alternative policy utilising DAB+, maintenance of the status quo and any other option as seems appropriate

To reiterate, we are not calling for an immediate move to DAB+, only for a recognition that the switchover should take advantage of DAB+ technology, such that the planning process proceeds accordingly:

- Smaller stations will not wish to move to digital until such time as FM listening has dwindled and digital has become a preferable platform.
- Furthermore, no one is looking to force all stations to move off FM against their will. Many may be happy to remain on FM. The

problem is that many stations such as our own Tower FM in Bolton and Bury simply do not have a digital option.

- The longer it is before the Government makes an announcement on DAB+, the more time elapses without consumers understanding that they should be buying DAB+ activated sets

The benefits of broadcaster ownership of multiplexes

We understand that the Committee is interested in exploring broadcaster ownership of radio multiplexes. Just as in the television industry, digital transmission is delivered via multiplexes which are operated either by broadcasters or by the transmission provider Arqiva. In radio, UTV Media (GB) controls six multiplexes, with interests in a further two (yet to launch). This means that we are the second largest broadcaster-operator of digital radio multiplexes in the UK – behind Bauer Media. Global Radio sold the majority of its multiplexes to the transmission provider Arqiva in 2009.

Firstly, broadcaster ownership of multiplexes ensures the DAB platform meets the needs of consumers:

- UTV has a first rate record as a multiplex operator. Our ownership of multiplexes has brought new specialist music, religious and minority ethnic services in areas ranging from Central Scotland to Swansea.
- It ensures that there is a strong lineup of services because it encourages and enables operators to offer their existing services on digital – such as Signal 1 and Signal 2 in Staffordshire and Cheshire.

Secondly, it ensures the DAB platform meets the needs of broadcasters

- It gives the industry control over its own distribution, rather than decisions being made by a third party with no investment in programming.
- It aligns objectives between multiplex operators and service providers in matters such as coverage and signal strength.
- It gives commercial radio equality with the BBC in shaping the digital transmission network through ownership of multiplexes
- Broadcaster ownership of multiplexes will allow us to solve what is wrong with the digital radio platform. Because we are ourselves local radio operators, we instinctively understand the need to:
 - Make digital cheaper for service providers
 - Ensure that there is capacity for every existing station
 - Ensure that multiplexes cover the right areas
- It is this which has led us to acknowledge the limitations of DAB technology, which requires more transmitters to reach a given area than FM.

- DAB+ is three times more efficient, offering a means for these problems to be resolved.

Thirdly, broadcaster-ownership is the most practical and cost-effective way of operating multiplexes

- Broadcasters already have in-house resource which allows them to manage the contractual, service provider, financial reporting and regulatory requirements of multiplex operation in a highly efficient way.
- It prevents a single gatekeeper controlling access to digital radio. The most obvious alternative owner of multiplexes to broadcasters is the UK's monopolist transmission provider, Arqiva. However, it would harm broadcasters and indeed competition law is likely to forbid Arqiva from owning every UK DAB multiplex.
- Ownership by a regulator or publicly owned operator would introduce significant additional cost and bureaucracy into the multiplex framework, without removing the need for a third-party to contract with Arqiva for transmission at the market rate
- The other alternative to broadcaster-ownership is ownership by third-parties such as Private Equity Groups without any investment in radio content or programming – this would add cost which would be passed on to broadcasters.

Please do not hesitate to let me know if you require further information about any other matter.

Yours sincerely,

Scott Taunton
Managing Director