



## Digital Radio Switchover

A submission to the House of Lords Select Committee on Communications  
by Thirteen Local Commercial Radio Operators

### Executive Summary

1. This is a joint submission to House of Lords Communications Committee by Atlantic FM, Brighton & Hove Radio Ltd, Isle of Wight Radio, Media Sound, New Wave Media, Shetland Islands Broadcasting Company, 107 The Bee, The Local Radio Company, 96.2 The Revolution, Tomahawk Radio Ltd, UKRD Group, UTV Media and West Berkshire Radio Ltd. Our submission focuses on the Government's 2015 digital radio switchover proposals.
2. Our companies are committed to the development and growth of radio in the digital age. However, we believe that switching off AM and FM signals in 2015 would not be in the interest of consumers, and that the proposal to exclude over 120 local commercial radio stations from digital migration plans damages local radio.
3. Rather than pressing ahead with a selective switchover in 2015, before consumers are ready, we propose that the switchover, if and when it occurs, should encompass all commercial and BBC radio.
4. Instead of the measures currently outlined in the Digital Economy Bill, we propose:
  - a) Maintaining the valuable deregulation for local radio along with means of reconfiguring digital radio networks (Digital Economy Bill clauses 34-35)
  - b) Delaying legislation to enable digital radio switchover (Digital Economy Bill clauses 30-33 and 36) until such a time as:
    - i. Switching off AM and FM signals is clearly in the interest of consumers
    - ii. There is a plan to deliver digital migration pathways for all local commercial radio stations via a solution such as DAB+
  - c) In the meantime, allowing analogue and digital platforms to co-exist within a multiplatform environment, with Ofcom delivering regulatory and licensing reforms which already lie within its power to benefit commercial radio.

### About our companies

5. This is a joint submission to the Committee's Inquiry by Atlantic FM, Brighton & Hove Radio Ltd, Isle of Wight Radio, Media Sound, New Wave Media, Shetland Islands Broadcasting Company, 107 The Bee, The Local Radio Company, 96.2 The Revolution, Tomahawk Radio Ltd, UKRD Group, UTV Media and West Berkshire Radio Ltd. A full list of the 53 radio stations supporting this submission is included at Annex A.
6. The 52 local AM and FM commercial radio stations we operate comprise 18% of the 281 local commercial radio licences in the UK. UTV also operates one of the three national analogue commercial radio licences – for talkSPORT – which is broadcast via AM, national DAB, Internet, Sky, Freeview, FreeSat and Virgin Media. The 53 radio





stations represented here account for around 13% of all commercial radio revenue and are listened to by 5 million adult listeners a week. Our analogue and digital radio licences cover all four nations of the UK, with a geographical spread ranging from Shetland Islands to Cornwall.

7. The companies represented by this submission include UTV Media and UKRD Group, the third and fourth largest radio groups in the country by number of Ofcom licences held. These companies also collectively own First Radio Sales, which represents national airtime sales for 118 local and digital radio stations.
8. Our companies are committed to the development and growth of radio in the digital age. For instance, UTV Media and UKRD Group are major investors in digital radio, with UTV Media (GB) controlling more digital radio multiplexes than any other commercial radio operator with the exception of Bauer Media. High weekly listening to UTV's national speech station talkSPORT is driven by its availability on all major digital platforms, as well as AM.
9. Our submission includes findings from new consumer research which was conducted amongst 1000 talkSPORT listeners in November 2009 and is presented here for the first time.

### **Background: The Government's 2015 radio switchover proposals**

10. In its June 2009 Digital Britain White Paper, the government proposed that all large local and national BBC and commercial radio stations switch off their FM and AM signals in 2015 and move to digital-only transmission. The Digital Economy Bill was introduced in November 2009 to enable this outcome, in the words of Lord Mandelson, "by the end of 2015"<sup>1</sup>. The precise switchover date would be determined at least two years in advance subject to achieving digital listening and coverage targets.
11. The Digital Economy Bill has divided the radio industry, with support driven by large radio groups, rather than local radio stations or listeners. Many large radio groups and the commercial radio trade body RadioCentre are supporting the Bill to hasten an end to burdensome dual transmission costs and to secure extensions to national analogue licences.
12. UTV Media (GB) and UKRD Group resigned from the commercial radio industry body RadioCentre in Autumn 2009 due to their opposition to its support for the Government's switchover proposals in their current form. The other operators supporting this submission share the concerns expressed here.

### **2015 FM/AM switch off is not in the interest of consumers**

13. Our first major concern regarding the Government's current switchover proposals is that the proposed 2015 timescale is unrealistic, as it leaves insufficient time to ensure that switchover can proceed to the benefit of all consumers, and of radio as a

<sup>1</sup> Hansard, 'Digital Economy Bill – Second Reading', 2 December 2009  
<http://www.publications.parliament.uk/pa/ld200910/ldhansrd/text/91202-0002.htm>



whole. This timetable has been proposed despite the Government's own Digital Radio Working Group projecting an earliest possible switchover date of 2017.

### The current model is delivering for radio listeners

14. From the consumer's perspective, radio is currently thriving, with the multiplatform model enabling record listening figures during 2009. 90% of the population tunes in every week and new platforms such as the internet, television, DAB digital radio and mobile phones have added new ways of listening to radio, bolstering the medium's ubiquity and portability<sup>2</sup>.
15. As well as record listening, radio is also currently enjoying record consumer choice. The average listener has a choice of 8 national stations and 6 local stations via FM and AM. In addition, digital platforms have added special interest stations offering specialist music, religious or minority ethnic programming for those that want them. As a result, only 3% of listeners are dissatisfied with the available choice of radio stations, with 69% of consumers choosing to listen to just 1-2 favourite stations from the wide range available<sup>3</sup>.
16. As a result, listeners are not moving away from FM/AM at anything approaching the rate necessary for a switch-off in 2015. With the current multi-platform model delivering wide choice and accessibility of quality services which are free at the point of use, 64% of talkSPORT listeners say that they are happy with how they listen to radio at the moment<sup>4</sup>.
17. These listener attitudes are reflected in industry listening data. This shows that three quarters of all radio listening is still to FM and AM, with the new digital-only stations like Planet Rock and BBC 7 accounting for just 4% of total radio listening<sup>5</sup>. Take-up of additional data services and interactivity offered via DAB is much lower than expected and DAB receivers account for only 22% of present radio sales<sup>6</sup>. At 21% in Q3 2009<sup>7</sup>, digital listening is already lagging behind the Government's 2009 year-end target of 26%<sup>8</sup>.

### Upgrading to DAB is expensive for consumers

18. A key obstacle to increased DAB take-up is the cost of DAB sets. There are still around 120 million analogue radios in the UK, including car radios but excluding workplaces and public places<sup>9</sup>, compared with 10 million DAB sets<sup>10</sup>. The average price of a new DAB receiver is £85, meaning that the consumer cost of replacing existing analogue sets could exceed £10 billion. Consumer research shows that for take up to be widespread, DAB must become available for less than £20 and routinely added to products such as mp3 players. In fact, the cost of DAB receivers is currently rising due to changes in exchange rates<sup>11</sup>.

<sup>2</sup> RAJAR, Q3 2009

<sup>3</sup> Ofcom, The Communications Market Report, August 2009

<sup>4</sup> talkSPORT online research from a base of 1000 listeners, November 2009

<sup>5</sup> RAJAR Q3 2009

<sup>6</sup> Ofcom, The Communications Market Report, August 2009

<sup>7</sup> RAJAR Q3 2009

<sup>8</sup> RAJAR

<sup>9</sup> RAJAR

<sup>10</sup> Digital Radio Development Bureau

<sup>11</sup> Ofcom, The Communications Market Report, August 2009 / Digital Radio Development Bureau

19. The primary cause of this is the relatively small size of the global digital radio market, which has hitherto made it difficult for international consumer electronics manufacturers to achieve the economies of scale necessary to deliver cheap mass market DAB receivers, with DAB chips being routinely installed in new cars or portable devices. In fact, with digital radio failing to take off internationally, FM's position is currently being strengthened due to the growing popularity of FM-enabled smart-phones and mp3 players. 45% of mobile phones are expected to have FM radio by 2011 with DAB having been sidelined by global manufacturers such as Apple and Nokia<sup>12</sup>.
20. During tough economic times, the evidence shows that consumers are reluctant to consider expensive purchases. The additional services and functionality theoretically available via DAB are simply not enough of an incentive for consumers to invest in digital radios. Due to the cost of upgrading, only 16% of consumers say that they plan to buy a digital radio in the next year<sup>13</sup>. As part of talkSPORT's November 2009 listener survey, listeners were told about the Government's plans to move services to digital as soon as 2015, with 64% saying that they would not be happy to have to pay to change how they listen to radio. Only 20% of listeners said that, in the event of a switchover, they would change all their radios.

### **Universal DAB reception is unachievable by 2015**

21. Current DAB coverage is inadequate – whether in the home, office or car. AM and FM enjoy near universal coverage of 99% of the country but only 90% of the population has access to digital radio stations, with a much lower proportion being able to access local commercial radio services. As yet, the government has not agreed methodology with the industry to accurately assess the coverage gap between analogue platforms and DAB, hindering efforts to properly understand the scale of the problem.
22. Nevertheless, research already shows that 25% of DAB owners are put off buying another set because of reception problems<sup>14</sup>, with the cost of improving reception to FM standards estimated to be at least £150 million<sup>15</sup>. This cost will be borne by broadcasters and ultimately licence fee payers and consumers, although the government has so far failed to spell out the level of public funds available, with commercial radio operators unable to afford further investments in digital radio coverage.
23. Even if these coverage issues are addressed by 2015, the UK will find it impossible to ensure universal DAB reception at the reception equipment level. This is largely the result of AM and FM's continuing predominance within the international consumer electronics market.
24. If nothing else, it is inconceivable that universal DAB reception can be delivered by 2015. In-car listening is hugely important to radio, accounting for 20% of all listening<sup>16</sup>. Yet less than 1% of UK cars are currently able to receive DAB through a

<sup>12</sup> National Association of Broadcasters (USA)

<sup>13</sup> Ofcom, The Communications Market Report, August 2009

<sup>14</sup> Digital Radio Development Bureau

<sup>15</sup> Digital Radio Working Group 2008 / UTV Media analysis

<sup>16</sup> RAJAR





## The Government has failed to give local radio the protection it needs

36. In response to these concerns, the Government has acknowledged a need to avoid damaging local radio stations by denying them a digital future. However, it has so far stopped short of supporting calls for a universal switchover. Creative Industries Minister Sion Simon MP recently proposed “a combined station guide, which is similar to an electronic programme guide, that will allow listeners to access all stations by name, irrespective of the platform”<sup>19</sup>. This idea is not new, although the Government’s support is, having not appeared in the Digital Britain White Paper.
37. Unfortunately, no working prototype of such technology yet exists, meaning that it has little chance of universal implementation ahead of a 2015 switchover. The proposal constitutes an overwhelmingly inadequate response by Government, providing little comfort to local radio operators. In particular:
- The Government has not specified how it intends to force manufacturers, operating in global markets, to alter their products for the UK. As it stands, implementation relies on manufacturers choosing to install additional technology.
  - It is likely to increase the cost of receivers, with this cost being passed on to consumers. This will be particularly apparent amongst entry-level sets, which are crucial to driving higher digital radio take-up.
  - It will not address the lack of additional digital functionality for those stations remaining on FM, perpetuating a divide between those stations which are able to access the digital platform and those which are not.
  - It does not provide a solution for the 10m DAB sets currently in homes, as well as sets currently available for sale in the UK.
38. The Government has further argued that local commercial radio stations will enjoy growth opportunities on FM after the switchover, despite the migration of the vast majority of listening to digital platforms. These growth opportunities are described as taking the form of coverage enhancements, licence extensions, room for additional services and improved access to advertising revenue. In reality, these benefits are of low or even negative value.
- **Coverage enhancements:** The vast majority of local commercial radio stations already have ample coverage to reach the areas they are licensed to serve, due to the efficiency of FM. Some stations are currently seeking coverage enhancements, but these are mostly within Ofcom’s gift to grant, rather than requiring legislative change. For other stations, the greater opportunity for improved coverage would come in being able to access the upgraded digital platform.
  - **Licence extensions:** The Digital Economy Bill contains no provisions allowing stations which are not on DAB to have their licences extended. Most local commercial radio stations already have licences which run to at least 2015, and Ofcom already has powers to readvertise licences for twelve years or longer,

<sup>19</sup> Hansard, ‘Westminster Hall Debate – The Future of Local Radio’, 12 January 2010, <http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm100112/halltext/100112h0012.htm>

should it choose to do so. However, the Government's Digital Britain White Paper states that the stations which remain on FM "should only do so temporarily" , albeit without committing to delivering digital migration pathways for them. This inhibits Ofcom's ability to deliver long-term licences for these stations<sup>20</sup>.

- **Room for additional services on FM:** Most towns and cities in the UK have at least one local commercial or community radio station. However, both sectors are currently struggling to sustain all their existing stations, with listening and funding fragmented between those services which do exist. Although this may change, the main impact of licensing new 'ultra-local' stations is likely to be to undermine the viability of established stations.
- **Improved access to advertising:** The Government has argued that ultra-local stations will enjoy reduced competition for local advertising. In fact, by enabling more stations at this level, the reverse will be the case. Furthermore, lack of access to digital will reduce these stations' current attractiveness to national advertisers.

39. If and when the vast majority of radio listening has moved to digital, as the government plans, the most significant 'growth opportunity' that could exist for a local commercial radio station would be the opportunity to move to digital transmission.

### **The solution: A universal switchover taking place only when listeners are ready**

40. Rather than driving to achieve a selective switchover as early as 2015, we propose a universal switchover of all BBC and commercial radio stations, taking place only when switching off AM and FM has the clear support of listeners. This will ensure that Digital Britain delivers for all radio and all listeners.

41. A universal switchover could be readily delivered by updating the technology or technologies used for digital radio in the UK. We propose that a universal migration is achieved by replacing DAB with the more efficient DAB+ standard at or before switchover. DAB+ uses the same equipment and frequencies as DAB but is three times more efficient. As a result, it can offer:

- Digital capacity for all local commercial stations within multiplex areas
- Lower transmission costs per station, including affordability for localised operators; and
- Improved signal quality, through use of higher bit rates.

42. The feasibility of a universal switchover is aided by the compatibility of new digital radio sets with both DAB and DAB+ technologies. Unlike the Government's hypothetical universal station list, DAB+ compatible technology is already on the UK High Street, with the relevant chipset having been endorsed in the Digital Britain White Paper as the technology which should underpin all digital radios now on sale. Accordingly, a universal switchover could be almost entirely delivered via DAB+,

<sup>20</sup> Digital Britain Final Report, June 2009, page 95



with just a small number of hilly or rural areas remaining which would require another solution (such as the digitisation of existing FM spectrum via DRM+).

43. Announcing now that any switchover will take advantage of DAB+ will give confidence to consumers that when they buy a new digital radio, it will continue to work after the switchover. At the same time, it protects owners of the UK's 10m existing DAB receivers by guaranteeing that they will continue to function until such time as the UK's 120m analogue receivers and 10m DAB receivers have all been replaced with DAB+ compatible sets.
44. In place of the current measures outlined in the Digital Economy Bill, we propose:
  - a) Maintaining the valuable deregulation for local radio along with means of reconfiguring digital radio networks (Digital Economy Bill clauses 34-35)
  - b) Delaying legislation to enable digital radio switchover (Digital Economy Bill clauses 30-33 and 36) until such a time as:
    - i. Switching off AM and FM signals is clearly in the interest of consumers
    - ii. There is a plan to deliver digital migration pathways for all local commercial radio stations via a solution such as DAB+
  - c) In the meantime, allowing analogue and digital platforms to co-exist within a multiplatform environment, with Ofcom delivering the regulatory and licensing reforms which already lie within its gift to implement to the wider benefit of commercial radio and its listeners.

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**Annex: The 53 Stations Supporting This Submission**

2BR	Signal 2
Andover Sound	Sovereign FM
Arrow FM	Spire FM
Atlantic FM	Spirit FM
Bath FM	Splash FM
Bright FM	Star Radio Bristol
Brunel FM	Star Radio Cambridge
County Sound Radio	Star Radio North East (Darlington)
Eagle Radio	Star Radio North East (Durham)
Isle of Wight Radio	Star Radio North East (Northallerton)
Jack FM (Bristol)	Stray FM
Juice FM (Liverpool)	Sun FM
Juice FM (Brighton)	Swansea Sound
KLFM	talkSPORT
Minster FM	The Bee
Mix 96	The Revolution
Newbury Sound	The Wave (Swansea)
Original 106	The Wolf
Peak FM	Tower FM
Pirate FM	U105
Pulse	Wave 102 (Dundee)
Pulse 2	Wessex FM
Quay West (Bridgwater)	Wire FM
Quay West (West Somerset)	Wish FM
Radio Wave (Blackpool)	Yorkshire Coast Radio (Bridlington)
Shetland Island Broadcasting Company	Yorkshire Coast Radio (Scarborough)
Signal 1	