

**HOUSE OF LORDS COMMUNICATIONS COMMITTEE
INQUIRY INTO THE DIGITAL SWITCHOVER OF TELEVISION AND RADIO**

WRITTEN MEMORANDUM

Summary of Evidence

The following memorandum provides written evidence from the Department for Culture, Media and Sport (DCMS) and the Department for Business, Innovation and Skills (BIS) on the Government's strategies and policies for the Digital Switchovers of both television and radio.

- 1.1 The House of Lords Communications Committee consideration of Digital Switchover is timely, with the passing of the Digital Economy Bill through Parliament. By addressing the Digital Switchovers of both television and radio together, this inquiry offers a useful opportunity to reflect on the similarities and differences between the two and to clarify the technical issues and how best to ensure the radio switchover runs as smoothly as its television equivalent.
- 1.2 This memorandum will firstly look at the progress of the Digital Switchover of television, with particular reference to the Switchover Help Scheme. As regards radio, this memorandum will cover the Government's plans for radio switchover, the benefits of digital radio, technical issues including digital technologies and infrastructure and the potential impact of a switchover on broadcasters, consumers and the environment.

Television	
Overview	Page 2
Help Scheme	Page 3
Radio	
Introduction	Page 4
The rationale for the Digital Radio Switchover	Page 5
The benefits of digital radio	Page 5
Alternative digital radio technologies	Page 6
DAB coverage	Page 6
The impact of Radio Switchover on local radio stations	Page 7
The cost of Radio Switchover to listeners	Page 7
The impact on in-car listening	Page 8
The environmental impact of the Radio Switchover programme	Page 8

TELEVISION

Overview

- 1.3 The Digital Switchover Programme to replace all analogue TV signals with digital signals between 2008 and 2012 continues on a regional basis and has, so far, been successful.
- 1.4 At January 2010, 18 per cent (4.84 million) of UK homes had completed digital TV switchover. Three TV regions, Border, West Country, and Granada are switched over, and in September 2009 the milestone of the millionth home 'to switch' was passed.
- 1.5 The Switchover Programme was subject to an Office of Government Commerce (OGC) Review during March 2009. The OGC Review Team found that the Programme was clearly articulated, well-managed, and had established real impetus.
- 1.6 The review stated that in a technically and logistically challenging programme of transmission infrastructure improvements, the programme had succeeded in:
 - a. engaging an extensive and diverse range of stakeholders;
 - b. developing, testing and refining a detailed and repeatable implementation process; and
 - c. achieving high levels of consumer awareness and action.
- 1.7 The review concluded that if the programme continued to maintain its focus and momentum, it was on track to deliver on time and on, or even under, budget. Following the successful switchover in Granada in December 09 we are confident that the programme will continue to deliver.
- 1.8 Switchover in Granada was a significant milestone for the programme. With over 3 million homes, the region was by far the largest Switchover project with the percentage of the UK switching to digital TV leaping from 7% to 18%.
- 1.9 Results showed that the vast majority managed to switch with no significant difficulties. This success in Granada provides us with the assurance that Digital UK, working closely with the Help Scheme, Government and Ofcom, has the capability to continue to deliver successful switchovers until the programme's conclusion in 2012.
- 1.10 By the time that the first analogue terrestrial transmissions were switched off in autumn 2008, the market had driven take-up of digital television to over 85% of households. Switchover has provided an additional opportunity for sales of television equipment, particularly for the conversion of second and subsidiary sets and recording equipment. No television need be thrown away because of switchover, though there is some evidence that

consumers are taking the opportunity to dispose of old equipment.

Help Scheme

- 1.11 The Government and the BBC have established the Digital Switchover Help Scheme to help those people who are most likely to find the process difficult. The Scheme provides easy-to-use equipment, installation including fitting a new dish or aerial if needed, a demonstration, practical advice and assistance and after care. The Scheme is open to people who are 75 or over, disabled or blind and partially sighted.
- 1.12 The BBC is responsible for running the Scheme and has set up a wholly owned company, DSHS Ltd which is responsible for the delivery of the Scheme. DSHS has contracted eaga plc to manage the day to day running of the Scheme.
- 1.13 The switchover in Granada was the biggest challenge so far and the Help Scheme successfully scaled up its operations to deliver help throughout. By the end of 2009, DSHS had delivered over a quarter of a million installations, and received over one million responses.
- 1.14 DCMS monitors the effectiveness of the Help Scheme through:
- a. Policy Review Group set up under the terms of the Scheme Agreement between the DCMS and the BBC and chaired by DCMS;
 - b. an Emerging Technologies Group, chaired by DCMS that looks at ways in which the equipment provided by the Scheme can be improved as technologies develop over time;
 - c. DCMS representation on the Project Board, chaired by the BBC, set up under the terms of the Agreement to ensure that the Scheme is delivered in a manner that fully supports the needs of those eligible: and
 - d. the Consumer Expert Group convened by Government in 2003 to give Ministers advice on the issues for consumers during switchover.
- 1.15 Lessons learnt from the switchovers to date have resulted in several changes to the Scheme. Examples include making it easier for the Scheme to help eligible people who live in rented accommodation who need a replacement aerial or satellite dish and adjustments to the Core Receiver Requirements which apply to the equipment provided by the Scheme.
- 1.16 The Scheme is funded through the licence fee and estimated costs are £603m. It looks highly likely that there will be an underspend in the Help Scheme, perhaps in the region of £250-£300m though the final outturn will depend on actual take up rates which could differ around the country and over time. The Government is consulting with the BBC Trust on how the emerging underspend can be redeployed.

RADIO

Introduction

1.17 In June 2009, the Government published the Digital Britain White Paper. The White Paper set out our view that radio needs a digital future if it is to compete in a digital media landscape. Therefore, we set out our policy for a Digital Radio Upgrade, or Switchover, which would result in Digital Audio Broadcasting (DAB) becoming the primary distribution network for radio. The White Paper also stated our view that Digital Radio Switchover could, and indeed should, be achievable by 2015.

1.18 The White Paper followed on from the work of the Digital Radio Working Group (DRWG) in 2008, which brought together broadcasters, network operators, consumer groups and representatives of the motor industry, to consider how to accelerate the take-up of digital radio. The DRWG, in its final report published in December 2008, recommended a concerted and coordinated drive to digital. They proposed this be achieved via a Government led digital migration plan, which would result in DAB becoming the primary platform for national, regional and large local radio stations, and the vacated FM for small local commercial and community radio services.

1.19 It was in light of the DRWG's recommendations that the Government has committed to support a Digital Radio Switchover programme. This includes setting the criteria which would need to be satisfied before a date can be set. These criteria are:

- 50% of radio listening is to digital;
- National radio DAB coverage is comparable to FM coverage, and local DAB reaches 90% of the population and all major roads.

1.20 The draft Digital Economy Bill proposes a number of changes to the existing legislative and regulatory framework to facilitate a Digital Radio Switchover. In particular, to allow the Secretary of State to nominate a date for Digital Radio Switchover and ensure that Ofcom have sufficient powers to provide for an orderly changeover on that date. A summary of the key changes in the draft Bill is set out below.

- To allow for the termination of relevant analogue licences by the nominated date for Digital Switchover without the licence holders' consent, subject to a minimum notice period of 2 years;
- To provide for the renewal of national and local analogue radio licences for up to a further 7 years so long as licence holders also provide content in a digital service via a multiplex;
- To allow approved local licences to be renewed by the nomination of a national DAB service, providing that the analogue and digital services share at least 80% of their content;
- To allow for variation of the frequency or coverage area of a multiplex licence, with the aim of improving the coverage of DAB; and

- To enable local stations to share premises and administrative costs within an approved area.

The rationale for the Digital Radio Switchover

1.21 The UK leads the world in the take-up of digital radio. 21.1% of all radio listening is via digital platforms and over 32% of adults live in DAB-enabled households; of course the number with access to digital radio via Digital TV and online is far higher. Over 10 million DAB sets have already been sold and UK manufacturers are market leaders in the development of digital radio software and receivers.

1.22 The FM spectrum is now full and opportunities for new services or functionality are very limited. We believe that within these limitations radio, if left in a primarily analogue landscape, risks losing relevancy to listeners who are increasingly expecting the interactivity and choice which digital platforms offer. In addition, we note the existing FM infrastructure is reaching the end of its natural life-span and will need substantial investment if it is to continue to operate in the medium to long term. We believe such investment is better spent on building out a digital platform which offers far more choice for listeners and business opportunities for stations.

1.23 Over the last decade the total revenue of the commercial radio sector, which comprises the vast majority of local stations, has fallen from £750 million in 2000 to less than £560 million. At the same time the majority of commercial stations have seen their transmission costs increase, with stations now bearing the costs of carriage on FM, DAB, online, and on Digital TV. A market facing rising costs and falling revenues is unsustainable and threatens the health of the whole sector. While the path to digital may not be an easy one, we firmly believe it is the best way to secure radio's future. This is a view shared by the vast majority of the radio sector.

The benefits of Digital Radio

1.24 A principal benefit of digital radio is more effective use of spectrum which allows for more services on a single frequency. This is achieved by compressing the audio signal for a number of radio stations into a single radio frequency (a multiplex) which is de-compressed and decoded by the digital receiver. A DAB multiplex, which transmits the compressed radio signals in a given transmission area, can carry up to 10 stations along with data services. This provides listeners with more choice and more functionality.

1.25 Digital radio can also be delivered via other digital platforms such as the internet and Digital TV. These platforms provide a good alternative for listeners but, we believe, are not a suitable replacement for a broadcast specific platform for radio. Radio is primarily a mobile medium, and broadcast specific platforms are specifically designed to support reliable outdoor delivery.

1.26 In the UK, the technology adopted to provide portable digital radio is DAB, which is delivered via a number of national, regional and local multiplexes across the country. In addition to providing listeners with more radio stations, DAB also offers better reception than AM, and in some cases FM, allows for easy tuning that finds stations at the push of a button, and provides more information with scrolling text, slide shows, and an electronic programme guide to plan your listening in advance.

Alternative digital radio technologies

1.27 While the Digital Britain White Paper was clear that DAB was an essential part of radio's future, this does not mean we expect digital radio to be a single platform medium. One of the benefits of digital radio is its ability to co-exist with other means of digital distribution. Ultimately it will be up to consumers to decide how they want access digital radio, but we believe that their choice must include a digital broadcast platform which is free at the point of access.

1.28 DAB+ is a variant of DAB but uses an improved audio codec and error correction, allowing for a greater number of stations to be carried on a single multiplex and a more robust signal. DAB+ has been adopted in a number of European Countries and Australia. T-DMB (Terrestrial – Digital Multimedia Broadcasting) is primarily designed for the delivery of television services however, it can also be used for digital radio. T-DMB has been adopted in France and South Korea.

1.29 The Government has been clear that the benefits of the UK adopting a different technology are more than outweighed by the negative impact on existing DAB owners. However, we have committed to promoting receivers which are capable of receiving the digital technologies which form the WorldDMB Profile 1. This will protect receivers against a future change of technology and allow radios to work across Europe.

DAB coverage

1.30 It is a top-level principle that the Digital Radio Switchover programme should benefit listeners, for instance, in the number of available services, functionality and quality. This cannot be successfully achieved until DAB coverage is comparable to FM. To this end we are working with the BBC and commercial operators to ensure the necessary investment is made to build out and improve DAB coverage and reception.

1.31 Coverage of digital radio broadcasting in the UK continues to increase and both the commercial and the BBC's national multiplexes now reach about 90% of the UK population. This will continue to grow and should resolve many of the current issues of poor reception.

1.32 In addition to increasing DAB coverage, the Digital Britain White Paper identified two key failings in the current structure and scale of the local DAB multiplex framework. First, in some areas multiplex capacity is greater than the demand from broadcasters. Secondly, there are parts of the country which are still not covered by a local DAB multiplex, known as ‘white spaces’. The size and nature of these white spaces are such that they are unlikely to be filled by licensing a new multiplex.

1.33 With this in mind, the Digital Britain White Paper recommended that local multiplex operators should be given greater flexibility to merge, consolidate services and coverage areas, and, if appropriate, frequencies. Powers to achieve this are set out in the Digital Economy Bill. These provisions will grant Ofcom the power to allow holders of existing multiplex licences to extend their original coverage areas in order to cover areas currently not served by DAB.

The impact of the Radio Switchover on local radio stations

1.34 The Digital Radio Switchover will mean that the majority of stations, accounting for around 95% of listening, will become digital-only; available on DAB, Digital TV and online. The vacated FM analogue spectrum will then be used to accommodate stations upgrading from AM to form a tier of ultra-local radio. These proposals have been developed over 18 months of consultation and dialogue with the radio industry and consumer groups, and are supported by the vast majority of radio sector.

1.35 We are aware of concerns that, after the Digital Radio Switchover, FM and the services which are carried on it will be perceived as a ‘second class’ of radio. This is not the Government’s intention and such an outcome would not be in the interests of listeners or the radio sector as a whole. For this reason, the Government is working with manufacturers to establish a unified station guide, which would allow listeners to access stations by name irrespective of the platform they are carried on.

1.36 In addition, the Digital Radio Switchover will establish three distinct tiers of radio; national, regional and local, providing distinct markets in which radio can operate, compete and, we believe, flourish. The services which will populate FM will have a distinct role in providing very local material and reflecting the communities they cover. Due to the very local nature of their content, these services should benefit from less competition for local advertising funding. In addition, the switchover will release more spectrum for community radio services.

The cost of the Digital Radio Switchover to listeners

1.37 As we noted in the Digital Britain White Paper, the challenge for the Digital Radio Switchover will be converting the occasional radio listeners rather than the avid listeners who have already invested in DAB. For these listeners, it is important that DAB sets are attractive and affordable. The

Government welcomes manufacturers' commitment to sub-£20 sets in the next 2 years and urges manufacturers to look closely at the market opportunities for a 'set-top box' solution, which would allow existing analogue radio sets to receive DAB.

- 1.38 In the Digital Britain White Paper we committed to conduct a full Impact Assessment, including a Cost Benefit Analysis of a Digital Radio Switchover. This Cost Benefit Analysis will be essential in identifying which, if any, listeners would be disproportionately disadvantaged by the switchover and, by association, if a Help Scheme is necessary and what its scope might be.

The impact on in-car listening

- 1.39 The Government recognises that increasing the take-up of digital radio in vehicles is essential to the success the Digital Radio Switchover programme. For this reason the Digital Britain White Paper set out the Government's five point programme for digital radio in vehicles. The primary objective of this was to facilitate both the inclusion of digital radio as standard in all new cars sold.

- 1.40 We have been working, and will continue to do so, with the motor industry to ensure that DAB radios are fitted as standard in cars by 2013. For cars with analogue radios, we believe the price of DAB sets will fall and devices which will convert an FM car receiver so that it can receive DAB should become more widely available. There are already such "set-top" devices on the market and this is an area where the market is likely to grow considerably. It is also possible that digital radio could integrate with other devices such as satellite navigation receivers. We expect these retrofit devices to be the driver in ensuring that the majority, if not all, cars are DAB-enabled by the switchover date.

The environmental impact of the Radio Switchover programme

- 1.41 We will be conducting research to examine the environmental impact of the disposal and recycling of receivers resulting from the Digital Radio Switchover programme. However, we expect that, as the market develops, there will be a number of devices which will convert analogue radio devices to digital to reduce the number of devices disposed of. In addition, we will be working with manufacturers to ensure that the Waste Electrical and Electronic Equipment (WEEE) regulations reduce the environmental impact of those receivers which are disposed of.

- 1.42 Our environmental research will also look at the current energy consumption of analogue and digital receivers and transmission networks and will examine projected energy consumption from a future increase in digital devices, potential developments in equipment and compatibility with other technologies such as DAB+ and DMB. We expect the study to be completed in spring 2010.

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