

Monday 1<sup>st</sup> February 2010

## Intellect Digital Radio Group response to the House of Lords Select Committee on Communications call for evidence on the Digital Switchover of television and radio

### Background

Intellect is the UK trade association for the IT, telecoms and electronics industries including the consumer electronics industry and the fixed, mobile and satellite telecommunications industries. Its members account for over 80 per cent of these markets and include blue-chip multinationals as well as early stage technology companies. These industries together generate around 10 per cent of UK GDP and 15 per cent of UK trade.

Within its membership, Intellect includes digital radio manufacturers who are all represented on our Digital Radio (DR) Group. These companies manufacture a range of analogue and digital radios for the consumer market. We estimate our DR membership represents over 80% of the UK digital radio equipment market. This response has been developed in consultation with these member companies who are listed in Annex 1.

### Summary

- Intellect firmly believe that the Governments target date of 2015 is achievable.
- The criteria for switchover are realistic. Any change to the criteria now likely to be detrimental to both industry and listeners.
- A migration to digital radio in 2015 will result in renewed market confidence, and greater consumer choice.
- With 10m DAB sets already sold within the UK, the digital standard of choice is DAB.
- 90% of the UK population is already covered by DAB signal. The industry are firmly committed to achieving the target of FM equivalent levels.
- DAB coverage is already strong on all major roads and is persistently improving across the network.
- Alongside digital radio as standard within cars, aftermarket solutions such as DAB converters will be integral to addressing the UKs 30M unit car “park”.
- The average listener can expect their digital radio to account for less than 0.25% of their annual energy bill.
- The WEEE directive ensures that all used radio’s are recycled or re-used, with the cost met by manufacturers.
- The vast majority of digital radio receivers in the UK will continue to incorporate FM.
- Manufacturers are set to include the latest multi-standard chip sets in digital radios later this year.
- The price of an average DAB portable radio has almost halved in under 5 years
- As switchover in the UK draws closer, demand for digital receivers will increase causing price points to drop further.
- DAB is a more suitable solution for mass broadcast than the internet

## 2015 Target Date & Criteria for Success

Intellect firmly believe that the Governments target date for digital migration in 2015 is achievable. It is only at this point that the UKs current analogue national radio stations will move to DAB, with the FM band continuing to be occupied by local analogue radio stations. It is important to remember that any move to digital radio would not switch-off of all analogue services.

2015 is a target date, reliant upon the accomplishment of two predetermined and realistic criteria for success. Only once 50% of listening via digital services and DAB coverage equal to FM levels has been achieved will a 2 year migration period take place. Predictions in the Digital Britain report showed that should a concerted drive to digital take place, as opposed to organic growth; digital listening will reach 50% by 2013. Confirmation of a migration now will allow Digital Radio UK to begin work on this project, giving the industry 4 years to achieve the criteria by 2013. A migration to digital radio in 2015 will result in renewed market confidence, and greater consumer choice.

Whilst these criteria are both correct and realistic, should they not be met by 2013, manufacturers will continue to work towards them until a 2 year migration period is achieved. The target date for upgrade is therefore not only flexible and reliant upon industry performance, but also consumer driven.

A comparison with the 'Digital TV switchover' process shows that it was announced in 2005 with the process beginning 3 years later, against a fixed timetable. This shorter timeframe allowed enough time to build the market and consumer confidence. Confirmation now will allow Digital Radio UK to start work on the project and give the industry 4 years to achieve the criteria by 2013 before the switchover process is started.

This clarity and consistency for industry will bring increased investment in both digital content & equipment; more competition & innovation; further collaboration on marketing & communication; and work to create more jobs in the UK. As a result listeners can not only look forward to a larger range of product choice at all levels, but also increased levels of digital content.

When TV switchover was confirmed in 2005 only 800,000 digital TVs had been sold. Following this clarity and commitment by Government, this number had risen to over 2.5 million just a year later. Therefore these criteria for digital switchover are vital if we are to balance the best interests of listeners with the market clarity required by industry. This was the case with TV, and is even more relevant to radio which has the added complexities of the in-car market with its very long-term planning. Should these criteria be extended then investment by both manufacturers and broadcasters is likely to be affected.

Any change to the criteria now would be detrimental to both industry and listeners.

## DAB & Multi-Standard Chip

With 10m DAB sets already sold within the UK, the digital standard of choice is DAB. Customers must then have the confidence that their digital radios will work now and in the future. Consumer research by the DRDB found that 83% of listeners believed that DAB sound quality was as good as or better than analogue.

Manufacturers are committed to DAB as the platform of choice for the foreseeable future. Given that there are no known plans by either broadcasters or Ofcom to use DAB+, speculation around DAB+ will needlessly confuse consumers and cause uncertainty at a time when a migration to DAB is being planned.

As the number of countries across Europe using variants within the Eureka 147 family of standards increases, manufacturers are set to include the latest multi-standard chip sets in digital radios later this year. This will allow for the upgrade to DAB+ and/or DMB in the UK at a later point should broadcasters decide to utilize this technology. Furthermore, it will also ensure digital radios can be sold across Europe helping to bring the economies of scale that were important for the uptake of digital set-top-boxes for television.

## Coverage

It's important to note that 90% of the UK population is already covered by DAB signal. Therefore, before the second criteria for success is achieved a further 6% of the population must be covered by DAB signal to achieve equivalence to current FM coverage. The industry is firmly committed to achieving this target, with its requirements already explicitly understood. The next phase of the coverage project will ascertain exactly how this plan will roll out.

Furthermore, given the variety of receivers on the market, it is important that the network is designed to deliver signals for consistent and reasonably sensitive receivers. Consumers can then be sure that they will receive and enjoy the full range of digital stations and their inherent quality.

## In-Car Listening

DAB coverage is already strong on all major roads and is persistently being improved across the UKs road networks.

Given the number of listening hours attributed to vehicles, it is vital that in-car listening is grown. Intellect fully support Digital Britain's 5-point plan which aims to ensure that all cars are equipped with DAB by 2013. A number of major vehicle manufacturers have recently announced that DAB will be fitted as standard within some of their models, with more manufacturers expected to follow once a switch to digital is clarified. Furthermore, the decision by more European countries such as France to move towards digital radio will help to encourage car manufacturers to incorporate digital radios.

Alongside increased levels of digital radio incorporated within cars, aftermarket solutions such as DAB converters will be integral to addressing the UKs 30M unit car "park". Aftermarket solutions have been available and commercially successful since 2008, with more likely to join the market shortly.

## Energy Efficiency & Environment.

The energy efficiencies of Digital Radios have dramatically improved since their introduction as a mass market proposition improving by as much as 75%. The DAB market is still in its infancy, and manufacturers are firmly committed to improving the energy efficiencies of digital radios now, and in the years to come.

As the market grows improved efficiency gains via increased investment will see the efficiencies of DAB overtake FM in the short term. In fact next generation receiver tuners could consume a third less energy than current levels. Because energy efficient digital radios use less energy than an energy saving light bulb, the average listener can expect their digital radio to account for less than 0.25% of their annual energy bill.

The WEEE directive deals directly with waste electrical items and aims to reduce the amount of electrical and electronic equipment being produced; encourage everyone to reuse; recycle and recover. This ensures that all used radio's are recycled or re-used, with the cost met by manufacturers.

## Converting analogue radios to digital

Whilst it is technically feasible, there are currently no products on the market that can adapt an analogue radio to receive DAB signals. Our members would undoubtedly produce such devices should a clear market demand ensue following the passing of the Digital Economy Bill.

However, simply adapting an analogue product will not allow listeners to enjoy the full range of benefits that DAB can offer. With some entry level digital radio receivers costing as little as £25, adapter devices are likely to cost more than digital receivers at the start.

It is important to note that the vast majority of digital radio receivers in the UK will continue to incorporate FM.

## Internet Radio

Listening via the internet currently accounts for less than 2.3% of radio listening. With increased levels of broadband rollout, internet radio in the home is an option for the minority of listeners in the UK who will not be able to receive DAB signal following a radio migration (4% akin to FM). Furthermore, internet radio technology will certainly be an important technology for some niche services such as international radio stations. To account for this, an increasing number of manufacturers are already incorporating 'internet connectivity' within new receivers.

However, DAB remains the only technically feasible digital solution for the in-car market. DAB is then the most suitable solution for mass broadcast.

## Cost

The price of an average DAB portable radio has almost halved in under 5 years, to around £50. Whilst the average price of an analogue radio is lower, a direct comparison shows they have reduced by £5 in the same amount of time.

The higher price point of a digital radio reflects the increased functionality and choice enjoyed by consumers, as well as the relative immaturity of the technology in comparison to FM. Additional features such as displays on all models coupled with increased audio quality; the ability to take rechargeable batteries; and accept iPod input; contribute to the higher price when compared to analogue.

Within the Digital Britain report manufacturers committed to delivering a range of DAB radio's at the key sub £20 price point. Less than a year later, there are already a number of receivers within the market at the sub £25 price point. As switchover in the UK draws closer, demand for digital receivers will increase causing price points to drop further.

**Annex 1 – Intellect DR members**

**Arqiva**  
**Frontier Silicon**  
**Harvard International**  
**JVC**  
**LG Electronics**  
**Panasonic UK**  
**Philips**  
**Pioneer**  
**Pure Digital**  
**Revo**  
**Roberts Radio**  
**Sagem Communication**  
**Samsung Electronics**  
**Sanyo**  
**Sharp**  
**Sony**