

HOUSE OF LORDS
MINUTES OF EVIDENCE
TAKEN BEFORE
THE SELECT COMMITTEE ON COMMUNICATIONS

DIGITAL SWITCHOVER OF TELEVISION AND RADIO IN THE UK

WEDNESDAY 24 FEBRUARY 2010

MS JAQUI DEVEREUX, MR PAUL EVERITT, MR LAURENCE HARRISON
and MR BRYAN LOVEWELL

Evidence heard in Public

Questions 554 - 677

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WEDNESDAY 24 FEBRUARY 2010

Present

Bonham-Carter of Yarnbury, B
Eccles of Moulton, B
Fowler, L (Chairman)
Gordon of Strathblane, L
Howe of Idlicote, B
Inglewood, L
King of Bridgwater, L
Maxton, L
Macdonald of Tradeston, L
McIntosh of Hudnall, B

**Memoranda submitted by the Society of Motor Manufacturers and Traders
and Intellect**

Examination of Witnesses

Witnesses: **Ms Jaqui Devereux**, Director, Community Media Association, **Mr Paul Everitt**, Chief Executive, Society of Motor Manufacturers and Traders, **Mr Laurence Harrison**, Director, Consumer Electronics, Intellect and **Mr Bryan Lovewell**, Chief Executive, RETRA, examined.

Q554 Chairman: Welcome. Thank you very much for coming this morning. As you know we are looking at the whole issue of digital switchover and I suppose particularly looking at the implications as far as radio is concerned. We are looking at it very much from the point of view of the public and although you are disparate groups you all have contributions to make in that respect. First, could you very briefly just say who you are and we will go on from there.

Mr Everitt: My name is Paul Everitt and I am the Chief Executive of the Society of Motor Manufacturers and Traders, the national trade association for the motor industry here in the UK.

Ms Devereux: I am Jaqui Devereux. I am the Director of the Community Media Association representing community media radio amongst other things.

Q555 Chairman: I am going to do the industry and then I am going to come to the community radio. Now we come to Intellect, you justify that particular title.

Mr Harrison: It is always difficult. I am Laurence Harrison, Director of Consumer Electronics at Intellect. Intellect represents the technology sector in the UK. I am here today predominantly representing our radio manufacturers who account for about 70 per cent of the market for digital radio.

Mr Lovewell: Good morning. My name is Bryan Lovewell, Chief Executive of RETRA which is the Radio Electrical Television Retailers Association. We were formed in 1942 and it is the voice of the independent electrical retailer with 1,400 individual members.

Q556 Chairman: I am going to start with car ownership and the impact there. This is evidence that we have received in passing on this, and we have not really concentrated on it. As I understand the SMMT evidence – for which thank you – you are saying that if digital switchover was to take place in 2015 you believe there will be 20 million vehicles that will have to be fitted with digital converters. That is an enormous number.

Mr Everitt: It is a statement of fact really. The legacy fleet is huge. We have 30 million vehicles on the roads currently, the overwhelming majority of which are not digitally enabled. Even by 2015, because the average age of vehicles will be seven, perhaps slightly older, eight or nine years, the majority will not be equipped. The biggest challenge will be how to retrofit those vehicles in a cost-effective manner.

Q557 Chairman: Intellect, you were saying 30 million in your evidence. Is the figure somewhere between 20 and 30 million?

Mr Harrison: I think what we said was that the car park of cars on the road today is 30 million. We were not in possession of that information that by 2015 10 million of those would have already been converted.

Lord Maxton: When?

Q558 Chairman: Say that again?

Mr Harrison: We were told that there are 30 million cars on the road today and what we had not realised was the figure that Paul is talking about with regard to 20 million. I guess that is assuming ten million of those cars on the road would have been converted by that stage.

Q559 Chairman: Therefore you are content, are you, with the 20 million figure?

Mr Everitt: Yes, it is an estimate at this particular moment in time. We were trying to estimate what would be the scrappage rate that we would see over the course of the next five years or so. I do not think we will sell ten million vehicles, we would like to be selling ten million vehicles over the course of the next ten years but it might not be quite that high.

Q560 Chairman: All these 20 million vehicles, they will all need converters, how good are the converters because they are already on the market?

Mr Everitt: Maybe Laurence or others may want to comment. Our experience at the moment is that there are relatively few, although I understand that the number of options is increasing and, by and large, they are first generation technology so they are fairly cumbersome and not necessarily providing the kind of quality that drivers may wish, particularly if they are used to the current in-car systems. That is a consequence of, I suspect, the fact that there has been no clear definition until recently about what may happen in terms of switchover but also, obviously, the coverage and content for digital is still developing.

Q561 Chairman: What is your view on that, Mr Harrison?

Mr Harrison: There are only a few devices on the market at the moment. They have sold well priced from about £60. We know, anecdotally, that more of these products are going to be coming to market, having spoken to retailers, our own members. There is no doubt that the clarification that the Digital Economy Bill will bring will help transform that market, bring in more competition, more innovation and the knock-on benefits to the listener of that. I think it is important to realise at the moment we are at a stage where we have about 90 per cent digital coverage of the population, so while A roads and motorways are well covered some of the smaller roads and tributaries maybe are not, so if you are in a car and travelling on those roads the reception may not be as good. There is also no doubt going forward that these products on the market now are first generation products and with reception improving and more competition and innovation the quality of those products will improve.

Q562 Chairman: You think the price will go down?

Mr Harrison: Absolutely, and I think that is not just for in-car devices but also for normal radio sets. As I said, what industry works best with is clarity in the market. The Digital Economy Bill and the targets within it provide that. Once that is confirmed I firmly believe you will see a transformation in the market with many more products coming in and the knock-on effects that brings with economies of scale and then price per listener.

Q563 Chairman: It makes a case that 20 million car owners will still have to pay something for their converter?

Mr Harrison: Yes.

Q564 Chairman: Tell me, are converters the only way to go? You cannot have retrofitting of digital radios, that is impractical. I think that was in one of your evidence. That was in the SMMT evidence.

Mr Everitt: The challenge that we face, again, is that for most modern vehicles for all intents and purposes the radio facility is integrated into the dashboard. When I first started to drive there was something physically that looked like the radio and, indeed, in many cases you could lift it out. That is not the case anymore. One of the reasons why that is not the case is because of steps taken by vehicle manufacturers to improve the security of vehicles. Theft from vehicles has declined very significantly, partly because of those types of measures. It is not possible just to plug something into the existing radio, you would have to integrate it into the current systems which create, obviously, some significant challenges, but inevitably there are 20 million-plus opportunities for some element on some part of the business out there.

Q565 Chairman: I would just like to be clear on where we are going. We are talking possibly about by 2015 this process taking place and you say that you can start, although it is an ambitious target, by 2013?

Mr Everitt: If we are looking at new vehicles, so this is not the retrofit, this is new vehicles, many manufacturers already make digital radios an option. We are beginning to see digital radios as standard fit in an increasing number of vehicles. They are, by and large, in the higher value end of the market or the higher value ranges. Picking up Laurence's point, with the greater certainty that the Digital Bill will create, that provides a clearer focus. It is demanding, it is a challenge, and will be a challenge, but we feel that it is a manageable one.

Q566 Chairman: Does any of this persuade you that this target of 2015 should be put back? The evidence that you have given us suggests that there is going to be an enormous rush for converters in the couple of months leading up to that. Would it be preferable to take more time?

Mr Everitt: To be honest, I think that will always be the case wherever you set the line, there is going to be a rush at or close to it. I think our real emphasis has always been that the more

that we create certainty the more that the broadcasters improve coverage and make the content attractive, then consumers wherever they are will want to access that and that will create more demand earlier.

Q567 Chairman: A firmer target is in your interests?

Mr Everitt: Yes.

Q568 Chairman: What do you say about that, Mr Harrison?

Mr Harrison: I completely agree. A firm target is fundamental to industry. As I said earlier, it allows certainly manufacturers to plan with certainty for product design and development, to channel R&D funding where it is required. It will bring about economies of scale and the knock-on benefits to the listener within that, I think the most important thing, and probably the criteria for triggering a move to digital, because the 50 per cent listening criteria there will have to take into account in-car listening and converters that go into the market to transform the number of listeners who are tuning into digital. We think that is vitally important because while on the one hand we have sold now ten and a half million radio sets in the UK, as we move towards that 50 per cent figure really it will be the policy following the people. I think that is crucial.

Q569 Lord Maxton: To some extent the question has been asked but can I ask you, Mr Everitt, there must be a lot of older cars. That 20 million is a range from, what, 15 years old right up to modern. There must still be quite a lot which still have the radios you can take out. Once you move to having digital radios as standard in cars then that price is going to drop presumably quite dramatically, is it not, because there will be a unit which will be available for car manufacturers? Is it not possible your dealers will offer something which says, “We will convert your old car radio”?

Mr Everitt: I am sure that if it is good business then there is a commercial incentive for the franchise dealer network to engage with the owners of vehicles. Again, at this particular point in time it is difficult to know what that proposition might be. Inevitably, if you are dealing with an older vehicle then people's threshold for expenditure on that vehicle tends to diminish. The reality is the labour rates in a franchise dealer will tend to be higher than in an independent garage ---

Q570 Lord Maxton: Somewhere like Halfords might offer it.

Mr Everitt: Yes. Again, we have yet to see the full, if you like, options in terms of the converters that might come. There is no doubt, I think, that vehicle manufacturers themselves will be looking at this market, and we need to recognise that it is not just in the UK where a switch to digital will be occurring, albeit the timescales might be slightly different in different markets, and therefore, potentially, you have a market which is tens of millions across Europe as a minimum where some kind of retrofit activity may be appropriate. I think it is still quite early in the commercial development of options, and that goes back to issues about certainty. Once those are clarified then people get a clearer focus on what the market opportunity is and begin to think about how they might exploit it.

Q571 Lord Gordon of Strathblane: I suspect one knows the answer from your emphasis on uncertainty up to now, but why are we not further down the line, at this stage? If we are talking about anything like 2015 as a target, arguably some of the things you are talking about should have been happening ten years ago.

Mr Everitt: It is a difficult question for me to answer. There is no doubt there has been an interest in digital; the fact that vehicle manufacturers have made this an option over, probably, the last four or five years, in different ways, indicates that there is some level of consumer demand, but it has not been clearly defined. I think that it is a change in the market

circumstances, which a commitment to digital switchover provides, which kind of catalyses the marketplace.

Mr Harrison: I would only add to that. Again, Paul will correct me if I am wrong, but I think one of the other things that has been important for car manufacturers in terms of line-fitting digital is the ability to build for at least a European market. What we are seeing now is, increasingly, many more European states committing to go to the family of digital radio standards and the introduction of a multi-standard chip set which will enable economies of scale and, also, manufacturers to have the confidence that they can put that in and it will be a viable option across Europe.

Q572 Chairman: If I went in and bought a new car tomorrow, would I be able to stipulate that I have digital radio in there?

Mr Everitt: Yes, by and large.

Q573 Chairman: That would cost me extra?

Mr Everitt: Yes. Again, depending on the choice of vehicle that you had and the level you want it.

Chairman: We will not go into the sort of vehicle I would have - much more modest than my colleagues!

Q574 Lord Ingelwood: You have said there are approximately, we think, 20 million-odd vehicles out there which have not got digital radios. In the real world, a lot of people, whether or not they believe it is possible to get it changed, are simply not going to bother on old cars, and what-have-you. Do you have any idea of what the potential size of the take-up within the 20 million is for digital radios?

Mr Everitt: I could not give you a figure as to that. The only thing that we would have is an age distribution kind of picture now and some forecasting of what that might be, and against that age distribution you can probably attach some levels of values. So if you are looking at today a standard car which is, let us say, 12 years old, it is probably worth £250-£500 now. A person who has that car, the question is will they be prepared to expend significantly on some kind of digital ---

Q575 Lord Ingelwood: I am trying to assess the scale of the real problem. I think I have no car less than 12 years old, so probably I would not be bothered to go out and get one, full stop.

Mr Everitt: The issue is, then, what are most people with older vehicles likely to be doing? Most people who are running a ten to 12-year-old car are likely to be changing that car as soon as it has a major problem, because to fix it is probably going to exceed its value. So, if you like, they are going to be in the market for a new vehicle relatively quickly - not a brand new vehicle but a new vehicle to them - and I think that rollover in the fleet is the opportunity that people would use to either ask "Does it have digital capability?" or "Can I get that as part of the deal when I go in and purchase a second-hand vehicle?"

Q576 Lord Macdonald of Tradeston: I suppose transport policy in recent times has emphasised the importance of more intelligent infrastructure, giving drivers more information to try and reduce congestion, and so on. Obviously, there is an opportunity here for traffic information to be more sophisticated and updated more quickly. How close are the broadcasters and the manufacturers to developing content on DAB for that? Do you need any clarification from government to take you in that direction?

Mr Everitt: Manufacturers are not producing content or in the market for that at this particular moment in time. One of the areas where we have concerns is that traffic

information is available on, as I understand it, the FM signal, and at the moment there is not a digital equivalent of that. Therefore, a switch to digital, effectively, will remove that traffic information feed. That, clearly, is a cause of concern, and some clarity on what the plans are to adapt traffic information so that it can be integrated into the new technology is clearly going to be very important, for the reasons you mention. We are doing a lot of work as an industry on the whole question of intelligent transport systems, links between vehicles and links between vehicles and infrastructure, in order to try and minimise environmental impact and reduce congestion, and a range of other things as well. So, clearly, having some clarity on the kind of architecture that we will be working with means that we can start to exploit the opportunities at an earlier point.

Q577 Lord Macdonald of Tradeston: As I understand it, these satnav devices, at present, use the FM radio signals. How is it proposed that these devices would work after the main FM services are switched off?

Mr Everitt: That is a question we do not know the answer to. There has not been any clarity. There are a number of providers of that information and they are currently using FM. I assume it is an investment issue for them to be able to find the appropriate digital mechanism to use.

Q578 Lord Macdonald of Tradeston: You do not have a preferred approach to that?

Mr Everitt: We do not, no. Those people are in the marketplace, at the moment; that is their business, so we would be looking to them to make a move, if you like, or to provide clarity on what they will be doing, and then be appropriately integrated with that.

Q579 Lord Macdonald of Tradeston: Have you had any dialogue with the broadcasters to say, "Here are our priorities in terms of in-car information?"

Mr Everitt: We have a dialogue but it is at a reasonably early stage, I would say.

Q580 Lord Macdonald of Tradeston: Should that be encouraged by Government? Can they set up a structure in which you communicate more quickly, given your short timescale?

Mr Everitt: I think so, yes. Again, for us as an industry (I know it may seem a bit late) we are following the demand of consumers. When people say they want particular types of things in their car then we respond to that. So in terms of the broader policy horizon we are relatively agnostic around it. Once these things have been determined and that timetable set, then we are looking to try and adapt to it in as quick a way as possible.

Q581 Lord Macdonald of Tradeston: The Department for Transport has not offered any guidance to you on how to take that further?

Mr Everitt: I am not aware that they have.

Q582 Chairman: Just to sum up what you are saying: one of the things I think you are saying is that you would like as much clarity as possible on the future.

Mr Everitt: That is correct.

Q583 Chairman: Just say a little more about that. What is the clarity that you would require specifically?

Mr Everitt: The areas that are of most concern to us would be around traffic information because that is a key thing that people listen to in their vehicles, and having an understanding of how that is going to be dealt with in a digital world is clearly going to be key both to the consumer and, also, for us as manufacturers in determining and adapting the vehicle and the architecture within the vehicle.

Q584 Chairman: Do you feel that more could be done to get over to the public the advantages of digital radio?

Mr Everitt: Yes. For us, again, the key part of this is there has to be consumer demand and, recognising that the Digital Bill is still going through and the discussions are something that have happened over the course of the last 18 months to two years, we recognise that it is the broadcasters' responsibility both in developing a broader network coverage and selling digital content as being attractive and desirable. Clearly, the more that happens then the more the marketplace begins to respond to genuine opportunities as opposed to a sort of push element.

Q585 Baroness McIntosh of Hudnall: I actually have a question for Mr Harrison, but could I just ask you, Mr Everitt, on the question that you have just answered: I would assume that as manufacturers of motorcars, on the whole, your membership does not have a view about whether digital broadcasting is, in terms of its quality, preferable to analogue broadcasting. Or do you?

Mr Everitt: Only to the extent that consumers have indicated that there are some differences and they, in some circumstances, quite like the opportunities that it provides or the additional quality that it provides.

Q586 Baroness McIntosh of Hudnall: So you do have evidence specifically from your consumers that they would welcome a migration to digital as far as it affects their experience of listening to the radio in the car?

Mr Everitt: I think that might be overstating the situation. I would not wish to suggest that we have evidence. Again, I think that the industry inevitably will be testing products, developing products and they will see how consumers respond to it. I think that process has indicated that certainly some find digital more attractive. Whether that is something that you could read across as to be consumers in general I think is rather more difficult.

Q587 Baroness McIntosh of Hudnall: The obvious corollary question to that is do some not? Is it the case that there are some consumers who actively think that digital radio in their car is not a good idea?

Mr Everitt: Again (and this would be a personal opinion), I think that most people probably are not that bothered; what they are listening to is the key thing. There will always be some people who find additional quality as being something that is particularly important to them, but I think the majority of people are looking for the content that is being provided to them.

Q588 Baroness McIntosh of Hudnall: Thank you, that is very helpful. Mr Harrison, I wanted to ask you a question about an assertion that you make in your evidence, which is to do with the power consumption of digital radios. I had some evidence a couple of years ago as a result of a question that I put to Government that digital radio was likely to be considerably more heavy on power consumption than analogue radio. You said very clearly that you think that has already dramatically improved (I think those were your words) and is likely to get better. Can I ask you, first, is that improvement such that now there is no difference between digital and analogue power consumption, or possibly even that digital is better? If we have not quite got to the point where digital is as good as analogue in those terms, what further efficiencies do you expect to see in terms of power consumption, and over what period of time?

Mr Harrison: As of today, if you took an average analogue radio and an average digital radio, analogue would be more energy efficient, but it is marginal. I think that also masks what is quite a lot of detail; it is a hugely complex subject, but I will attempt to explain some of that. If you took a like-for-like product, analogue and digital, the analogue tuner and the digital tuner represents about ten per cent of the overall energy consumption of that product. The other components are, if you like, standard across those products, so you are really looking at comparing the tuner. Of that ten per cent we reckon, at the moment, that the

analogue tuner is about ten per cent more efficient than a standard, average digital tuner. So you are looking at an overall margin of about one per cent. What we have said about improvements in digital, I think, are very significant here. We know that over the last five years digital radio has improved its energy efficiency by about 75 per cent across the board. One of our manufacturers, for example, in the last two years, has improved the efficiency of their digital tuner by 40 per cent. Over that last five-year period the improvements in analogue radio have been zero because all the research and development is going into digital because it is at a relatively early stage (analogue has been around for a long, long time), and we see that trend continuing and that improvement continuing. We are extremely confident that in the future efficiency gains will be made along that same trajectory that we are seeing. I think the other thing that is important to note is just some context here. For example, some estimates that we did suggested that if you listened to an average digital radio all day, for 24 hours, that would consume probably less energy than to boil a kettle. If you listened to an energy-efficient digital radio for four hours a day for a whole year, that would be equivalent to taking one shower a month for a whole year. So I think there is a context thing here. We are not downplaying the importance of energy.

Q589 Baroness McIntosh of Hudnall: They are not great consumers of energy, in any event, is what you are saying.

Mr Harrison: Yes, in comparison to the home, but it is still a very important issue. What I wanted to stress is that we are confident and clear that further improvements will be made and that in the next year or two digital is likely to surpass analogue in terms of its energy efficiency.

Q590 Baroness McIntosh of Hudnall: Obviously, one way of consuming power is off the Grid - through your own wiring - and the other way is via batteries, and the disposal of

batteries is quite a big environmental issue. Do these efficiencies relate both to the consumption of power that comes via the Grid and to the life of the batteries that are necessary to run the battery radios?

Mr Harrison: What I have been talking there was, essentially, power from the Grid. With regards to batteries, we already have in place a system that was enforced by a European Directive, the WEEE Directive (Waste Electrical and Electronic Equipment), and that is with regards to the disposal, recycling and reuse of electronic equipment. There is currently a piece of legislation, the Batteries Directive, that will set up a similar infrastructure for the disposal of batteries, and those costs, in both instances, will be met by the manufacturers.

Q591 Lord Gordon of Strathblane: We have had various estimates of the number of analogue sets there are in the country; some say 50 million actually in use; others say over 100 million - there is certainly a lot. What about converters for what are known as “kitchen” sets? I am leaving cars out of it, at the moment, Mr Everitt.

Mr Harrison: Converters - if you like, a set-top box for an analogue radio - are technically possible. I think we need to look at just how appealing that would be for the listener. A converter would have to include within it pretty much all the components, bar the speakers, of a standard digital radio anyway. Therefore, the cost differential for a converter will be minimal between that and just buying a new digital radio.

Q592 Lord Gordon of Strathblane: So they are not going to fly off the shelves?

Mr Harrison: It will depend on just how much the individual values their analogue set. Of course, converters would also come into play if you are talking about, for example, a large expensive hi-fi system; they would work for that, and if you like the sound quality of that hi-fi then a converter may be an option, but I do think we need to be careful, purely because we

know that the price differential, for example, will not be that great between a converter and a standard digital set.

Q593 Lord Gordon of Strathblane: So for big, stand-alone hi-fi sets with colossal speakers and everything else it might make sense but for the small “kitchen” portable a no-no?

Mr Harrison: We know that some manufacturers are looking at the possibility of introducing a converter, so it may well be that some of those do come to market. I just think for the context we need to be aware of what that converter will look like, and how appealing it may be. I think your assessment is correct.

Q594 Lord Maxton: What about conversion to internet radio? Is that possible?

Mr Harrison: A lot of radios on the market now do have wi-fi, the internet connectivity, and I am sure more will going forward.

Q595 Lord Maxton: I am talking more about a converter to any form of conversion which will allow you to use your radio.

Mr Harrison: I do not think there will be a market for converting an analogue radio to an internet radio.

Q596 Lord Ingelwood: From what you say, it sounds as if there is going to be a great mountain of unused FM radios arising from this, which people probably will not think are worth converting; as they have bought a new set the chances are they will be redundant, and there is a disposal problem. Do you think it is the WEEE Directive? Or are they going to be shipped off to Africa for other people to use? How do you see, collectively, society dealing with the problem of this very large volume of electronic bits and pieces that is going to be left “hanging about”?

Mr Harrison: First, if we get the clarity from the Digital Economy Bill you will start to see that transition over a period of the next five years, so it will be a spread in terms of disposal and, if you like, the amount of equipment going into the recycling system. With regards to the infrastructure that is in place to deal with that now, it is incredibly sophisticated and wide-ranging across the UK, and I have no doubt that it is set up to be able to cope with disposal of the analogue radios we are talking about.

Q597 Lord Ingelwood: So you do not actually see this as being, as has been suggested, a huge problem? Is this something you do not see as being such?

Mr Harrison: Absolutely not. Our members, as I have said, have been for two years now, setting up the systems; they work through compliance schemes, whose job it is to handle the collection and then the recycling and reuse of that equipment. Digital switchover of TV has been going for a while now and anything that has come out of that we have handled extremely well. The indications that I get from manufacturers and also the people in the compliance schemes are that this will not be a problem.

Q598 Lord Maxton: There is a major difference; with your existing television all you need is a box.

Mr Harrison: Indeed.

Q599 Lord Maxton: A converter, basically. With radios that is not the case.

Mr Harrison: That is true.

Q600 Lord Maxton: You do not have to get rid of the televisions but do you have to get rid of the radios.

Mr Harrison: That is absolutely true. All I would say on TVs - you are absolutely right and I do not want to downplay the situation at all - is simply to say that we are adequately set up

to cope with it. Of course, with TV, what we are seeing at the same time is that alongside switchover people are also moving from old CRT TVs to flat-screens, and that has been alongside switchover but that has added to the disposal, if you like, of electrical equipment, and the system has coped very well.

Q601 Chairman: What do you think the public are going to say? We are very interested in the industry and how they will deal with it, but what about the public? They are giving over their radios. Do you not think there is going to be an enormous public reaction at this point?

Mr Harrison: What we need to look at here, again, is the Digital Economy Bill and the transformative effect it has going to have on the industry. Clearly, if we get the clarity, I think that is going to be a step-change for broadcasters in terms of the investment they can make in more digital content. I think we are going to see more competition and innovation in the manufacturing area, as I have already mentioned, and also the formation of Digital Radio UK gives us a body that is going to be able to talk centrally, if you like, about the benefits of digital radio in a way that we have not really done today. First of all, all those factors will come into play, and that will mean the public's understanding of what digital radio is about will change.

Q602 Chairman: Do you think it is going to be a nice, smooth, easy process; people are going to give in their radios and there is going to be no public reaction whatsoever?

Mr Harrison: No, not all, there are going to be huge challenges, and I certainly would not say that is not the case. All I am trying to say is I think there are a lot of factors that we have not had to-date which we could have, once this Bill goes through, and which will play a key role in easing the public's transition through to digital.

Q603 Chairman: You can improve it.

Mr Harrison: Agreed.

Q604 Baroness Eccles of Moulton: Mr Harrison, could we now move on to the finer points of digital? In your evidence you say that DAB is, as it were, the original form of digital. We know that it is the Government's policy to continue with DAB and you say that it would certainly confuse the consumer if other forms of digital transmission were pursued. You also say the multi-chip is now about to be, possibly, fitted by manufacturers into radios. Could you say a bit more about that and how that ties up with not confusing the consumer?

Mr Harrison: Of course. As manufacturers, we are clear that DAB is the broadcast standard of choice in the UK and will be for the foreseeable future. We have no indication from broadcasters or anyone else that that is going to change. Therefore, our members are confident that DAB sets are what consumers are going to be buying and that is where our focus is. You are absolutely right to say that multi-standard chipsets, which include the family of DAB standards - so DAB+ and T-DMB - are now on the market. Some sets already include that chip, as of today, and by the end of this year, certainly as far as our membership is concerned, I would envisage that the majority of sets will include the multi-standard chip set. The main reason for putting that multi-standard chipset into radios is to provide the economies of scale for the manufacturers so that they can sell into other international and European markets. As I said earlier, a lot of European Member States, in particular, are now making firm decisions to go to one of that family of standards, and it is important for a manufacturer that you can build a set that you can just sell in each of those different markets. Actually, that, of course, brings in economies of scale and the knock-on benefits.

Q605 Baroness Eccles of Moulton: If you happen to be a consumer who has invested in an old-fashioned, DAB-only digital set, is it possible then to add on the multi-chip component without having to buy a new multi-chip set?

Mr Harrison: You cannot physically replace a DAB chip with a multi-standard chipset; I think it is not technically possible. Actually, practically, they are different shapes and sizes, so you could not retrofit in that respect.

Q606 Baroness Eccles of Moulton: So the ten million DAB-only, as it were, sets that are already on the market will quite soon be outdated by the arrival of the multi-chipset?

Mr Harrison: They will not be outdated at all because we understand that it is the DAB network that is the broadcast standard of choice for the UK and we do not think that is going to change for the foreseeable future. Those sets will absolutely not be outdated at all.

Lord Maxton: Unless you take them abroad.

Baroness Eccles of Moulton: Thank you.

Q607 Lord Maxton: Can I ask two questions: one about the electronic programme guide. Are you in the process of developing one which will include both DAB radio and FM?

Mr Harrison: Yes. This is the unified channel list that has been talked about. As we speak, there is a meeting at our offices between manufacturers, broadcasters, government and Digital Radio UK where this is being discussed. Those discussions are around the technical possibilities and what the solution may look like and the most important thing, which is what value this brings to the listener. At the moment, all I can say is that there are discussions taking place with a view to the introduction of such functionality, but that is as far as we are.

Q608 Lord Maxton: Can I just move to the second question, slightly further than that? Last week we had evidence from those who had some form of disability, particularly the blind, that DAB radio is much more difficult to operate from their point of view because you do not use dials and things. Is there any work on this in terms of, possibly, voice-activation command?

Mr Harrison: Two things: firstly, we fully expect there will be a help scheme (as we have in TV) for radio, which will address, obviously, many of the vulnerable groups and their needs with regards to the equipment. Having said that, we are already, as an organisation, speaking to the RNIB, in particular, but also most of the other consumer groups, about the type of functionality that they will require, going forward with digital. In an ideal world, Intellect's role is to have those discussions, provide a best practice roadmap for the manufacturers, and that enables them to make commercial decisions about whether they are going to introduce a feature or not. As I say, those discussions we are having now and we will continue to have.

Q609 Lord Maxton: Voice technology has been around for a long time but, somehow, has never taken off.

Mr Harrison: Indeed. I think you have had evidence to the fact that there was a product on the market a couple of years ago that had text-to-speech functionality but then was withdrawn, and that was purely because the commercial cost meant that particular manufacturer was losing money. That, of course, is a consideration for any business. Technically, these things are feasible, and we absolutely understand the importance of things like text-to-speech. As I said, we are working with the RNIB to liaise between them and our manufacturers to see if we can introduce some of these features.

Q610 Baroness Bonham-Carter of Yarnbury: I want to ask Mr Lovewell about the sale of digital radios, but before that can I just go back to the point Lord Inglewood was talking about, the recycling of old sets, and ask Mr Harrison: the WEEE Directive requires like-for-like recycling. Does that actually happen? If I take my old radio into a shop, will you recycle it for me?

Mr Lovewell: Absolutely. Our members have all signed on to the WEEE Directive and, as such, if any member of the public comes in for a replacement radio then, yes, our member would certainly take that appliance back and deal with it in the normal WEEE way.

Q611 Lord Inglewood: If I had got five redundant FM radios and I want to buy one new digital radio, you would take one and ---

Mr Lovewell: No, certainly not. Our members, being who they are, would certainly help the individual because we are independent retailers and look after generations of customers and would certainly take back more than the one. They would not be that cold-blooded.

Q612 Lord Inglewood: I would have to buy one off you?

Mr Lovewell: You would have to buy one, yes. You cannot just bring five in and not purchase a new one, no.

Chairman: If we could stop this deal being done and go back.

Q613 Baroness Bonham-Carter of Yarnbury: In your written evidence, Mr Lovewell, you say that the price of an average DAB portable radio has almost halved but it is still around £50. Do sales of FM radios continue to outsell digital ones and is the fall in price of digital radios producing a comparative rise in sales?

Mr Lovewell: If we look at portable radio sales, or kitchen radios as they are also known, it is quite interesting for the year 2009, a total of 1.5 million radios were sold and on digital there were 955,000 sold which represents 63 per cent of the total market.

Lord King of Bridgwater: Half a million.

Q614 Baroness Bonham-Carter of Yarnbury: It is going up?

Mr Lovewell: It is certainly going up. If we take December 2009 in isolation, which is also a peak period for sales of radio, we can see that digital sales for December alone were 230,000

units as opposed to analogue of 73,000. It represents 76 per cent of the total market for December alone. It is certainly going that way.

Q615 Baroness Bonham-Carter of Yarnbury: Mr Lovewell, you say that there are some digital radios which cost as little as £25. Are the cheaper end digital radios providing the listener with quality?

Mr Lovewell: I think it is a reasonable quality at £25 obviously. The average price, as we have mentioned, is £57. Our members tend to sell up from that because of the type of consumer that we deal with, but certainly I think at £25 you would get a reasonable sound but nowhere as good as paying £100.

Q616 Baroness Bonham-Carter of Yarnbury: Equivalent to FM quality?

Mr Lovewell: I would say so, yes, if not better.

Q617 Lord Maxton: One of the confusions in the figures is FM and digital radios combined.

Mr Lovewell: The figures that I have are from GFK and they do not split out the two types of radio that you are talking about. It is basically just digital or analogue. There could be this middle ground.

Q618 Chairman: Your members are still selling analogue sets?

Mr Lovewell: Indeed.

Q619 Chairman: What kind of advice do the public get? Say a member of the public comes in, wants to buy a radio, what kind of advice would they be given on the future?

Mr Lovewell: At the moment it is rather sketchy, I will be honest with you, because we have had discussions as an Association with the DRDB which was the Digital Radio Development

Board. Unfortunately, that closed down in the latter part of last year and was reformed with the Digital Radio UK. We have only had one meeting with DRUK, which was a few weeks ago. As an Association we are trying to formalise an agreement with the DRUK of some form of training programme so that we can represent to our members and their staff because we do not want to send out a confused message here. We have done very well on the digital television changeover and we have worked very closely with the DUK. We are hoping that we can emulate that through the Digital Radio UK. At this moment in time it is, as I said earlier, rather sketchy.

Q620 Chairman: That is because the advice is not coming to you?

Mr Lovewell: Exactly. We have not been briefed fully. Well, we have in the last few weeks but prior to that we had not been briefed because of this changeover from DRDB to Digital Radio UK. There was a hiatus, if you like, of information coming through to me which then I passed on to our members.

Q621 Chairman: The danger is that members of the public are buying the wrong set?

Mr Lovewell: There could be a limited danger. Do not forget, our members are very well trained and well versed both in analogue and digital sales but I just think they need to have a guidance from us as to what is expected from them, which is quite clear with DUK membership.

Q622 Chairman: More clarity is what you want?

Mr Lovewell: More clarity.

Q623 Chairman: Would this be one of the overwhelming things that your Association would want in this whole process?

Mr Lovewell: Absolutely. As my colleagues here said, certainly we would want complete clarity. If we are going ahead with 2015 then as a retail industry we would like to have that information because that would galvanise us into putting in proper procedures, programmes to drive digital forward, as we have done with television.

Q624 Chairman: As an Association your people would like to be able to give the best possible advice?

Mr Lovewell: Absolutely because we give advice for not only our own customers, their customers, but also advice from other consumers who purchase goods in other outlets who unfortunately do not get the right information and come to our members because they are in the high street, they have been there for generations, as I said earlier, and are experts in what they do.

Q625 Chairman: Mr Harrison, would you like to add anything to that?

Mr Harrison: Yes, my Lord Chairman. I would just like to comment on that. I am also a board member of Digital UK and Digital Radio UK representing the manufacturers.

Q626 Chairman: There do seem an incredible number of associations and little groups taking place. I am rather surprised, therefore, that Mr Lovewell is not getting the advice he might expect with all this plethora of groups around.

Mr Harrison: I want to make a comment on that because, as Bryan has said, with Digital UK and the TV switchover there is a fairly comprehensive programme in place of retailer engagement and information on how to talk about digital TV. I have got every confidence that once the Digital Economy Bill is passed Digital Radio UK will have a very similar programme in place because it is crucial that we have some consistency in the way the retailer is speaking to listeners.

Q627 Chairman: You are all waiting for the Digital Economy Bill to come through?

Mr Harrison: It is undoubtedly a transformative piece of legislation for the industry and it gives us clarity.

Chairman: I will not make any comment about the progress so far of the Digital Economy Bill, but we are slightly running out of time as you well know.

Q628 Baroness McIntosh of Hudnall: Can we just pursue this point about the kind of service that you provide to your customers, amongst whom there must be some, perhaps a minority, who have special needs, either, for example, as Lord Maxton referred to earlier they might be blind or partially-sighted or they might have other disabilities which make the way they use electrical equipment different from other people or they might be people with limited budgets. I suppose this is principally for you, Mr Lovewell. When your members come to selling to consumers of that type, do you have particular kinds of training that you offer or that they can tap in to which help them with that?

Mr Lovewell: Certainly from the television perspective, RETRA, in conjunction with the DUK, has put a lot formalised training into our members with digital switchover so it does assist the consumer to make an informative decision. As I said earlier - I keep reiterating - our members are generations of retailers in the electrical industry and do deal with more, how can I put it, middle-aged to senior citizens, of which I count myself as one, so therefore they are far more switched on, excuse the pun, to helping the individuals. Certainly from the perspective of dealing with vulnerable people and disabled people, yes, we have done a lot of work. Again, I have to refer back to Digital UK on the television side because we have not got anything in place for the radio side of it. We have worked very closely with Eaga, who, as you know, were set up by the BBC and Government to help the over-75s and disabled people. We have fielded a lot of calls from those areas of consumers and we have put them in the right direction to get assistance from Eaga.

Q629 Baroness McIntosh of Hudnall: Do you provide any written information yourselves, for example, that you can give to your customers at the point of sale that would help them in addition to the material that presumably the manufacturers supply with their device?

Mr Lovewell: Yes.

Q630 Baroness McIntosh of Hudnall: You do provide written information?

Mr Lovewell: RETRA provides it as well as the DUK. Again, we are very proud that the pink tick, as we have all seen on the TV, is really the logo to say that you can go to that particular dealer and have trusted information from that dealer. I would like to see some form of tick or whatever going over on to digital radio. That tick is very important because our members have invested quite a lot of money and time into securing that tick through registration of DUK. Believe me, the tests and examination they have to have to achieve that tick is quite considerable. I will give you a quick example. They have to complete an online test with questions approved by the licence authority. They have to do a training and assessment mechanism administered directly by the licence authority, this is to all members of staff. I could go on. By signing an approved digital adviser store licence a RETRA member agrees to guarantee to always have approved digital advisers available to customers. Again, I can see the analogy that this would hopefully run over on to radio.

Q631 Baroness McIntosh of Hudnall: Can I ask you one last quick thing on this. Going back to the question of specific difficulties that user groups like blind and partially-sighted people might have, are you in a position to influence the manufacturers, and I suppose I am looking at you and Mr Harrison at this point, in terms of the speed at which development goes on in trying to address some of those issues?

Mr Lovewell: We cannot influence on speed but we do have lots of meetings with Mr Harrison and manufacturers giving our view as retailers as to where we would like the

manufacturers to develop certainly but we cannot, as an Association, put any timeframe on the manufacturers.

Q632 Baroness McIntosh of Hudnall: No, but you do seek to influence them in bringing forward new developments that might be helpful to vulnerable groups?

Mr Lovewell: Absolutely.

Q633 Lord King of Bridgwater: Just to clear that point about the wonderful advice you give to everybody. You sold half a million analogue radios last year to people for whom it may be useless in five years' time, is that right?

Mr Lovewell: No, I do not think the word "useless" comes into it. You will still be able to use an analogue radio. You will still be able to use FM for localised programmes. As we said, if there is some form of digital box that adds to the radio, and time will only tell on this, I do not think we are selling radios ---

Q634 Lord King of Bridgwater: I do not know what the percentage is, but allowing for the percentage of people who want to listen to national programmes, those radios, if there is the switchover, will progressively be useless, will they not? When you sell a radio what sort of life do you encourage people to think they will get out of it?

Mr Lovewell: Some of them can go on for 20, 30, 40 years, it depends on the quality of the radio.

Q635 Chairman: Would it help to have some sort of scrappage scheme when all these radios become out of date?

Mr Lovewell: I think a scrappage scheme would be very necessary, yes.

Q636 Chairman: You think it is necessary?

Mr Lovewell: Yes.

Lord Maxton: Ms Devereux is disagreeing.

Q637 Chairman: We will come to you.

Mr Lovewell: I meant from the actual dealing with the radio. We would have to go through the WEEE Directive is what I am talking about. A scrappage scheme is how I see it.

Q638 Chairman: As a member of the public would I be given some monetary recompense for bringing my old radio in to be scrapped?

Mr Lovewell: That would not be from our retailers, that really would be generated from the manufacturers. We would not instigate a scrappage scheme as retailers.

Mr Harrison: There has been some discussion amongst manufacturers and broadcasters about a radio amnesty scheme which could operate in the same way as you have described. Nothing has been finalised yet.

Q639 Chairman: A radio amnesty scheme?

Mr Harrison: That is right.

Q640 Chairman: Explain what that means.

Mr Harrison: You would bring in an analogue radio and you would then be able to get a digital radio at a discount.

Q641 Chairman: Right, but nothing has been decided along those lines yet?

Mr Harrison: No, not yet.

Q642 Lord King of Bridgwater: Is there any market at all, I mean overseas or in poorer countries, for any of these radios?

Mr Harrison: I think the discussions that we are having currently are exactly around those lines. In other words, some of the radios that will be handed in would be directed to poorer countries.

Q643 Lord Inglewood: On this point again, you have not put it in these words but you have said one of the differences between the problems of television switchover and radio switchover is that when television switchover occurred the set was useless but when radio switchover occurs you will have a set that can still operate on FM. Arising from what you said earlier, do you think it is desirable from the public perspective for the FM radios at that point to be sucked back into either a disposal scheme or a dispersal scheme somewhere else to get them out of society?

Ms Devereux: Please, can I have a word at some point about this whole discussion because we have got quite a lot to say about it.

Q644 Chairman: Absolutely. You are next on the agenda.

Mr Harrison: I think your question was if you can still listen to FM on analogue radios should you be throwing that radio away?

Q645 Lord Inglewood: I am looking at it from the public perspective. Do you think it is desirable as part of the switchover process for that to include incentives to get people to take the FM set that still works and still has some use out of circulation?

Mr Harrison: I think it is about communication of information. I think it is about whoever is administering an amnesty scheme or handling this communication explaining very clearly what you can or cannot do with your analogue set, the services you cannot get on FM, and then it will be a choice for the listener.

Q646 Lord Inglewood: From a public policy perspective you do not think there is any particular benefit from drawing out of society at large all of these FM sets, many of which clearly have not been used for years anyway? Perhaps you have not thought about it.

Mr Harrison: I am not completely sure I still understand the question, I apologise. It is as I have explained. I think it is about communication.

Lord Inglewood: Fair enough, that is fine.

Q647 Chairman: Mr Lovewell, just one last question for you. Would it help if the advantages of digital radio were rather more clearly expressed than they have been up to now with the public?

Mr Lovewell: I think it would help both the industry and mainly the public, yes, I do. I hope that is going to happen now we have got Digital Radio UK where we can get a firm message across to consumers as to what is happening, yes.

Q648 Chairman: Do you find at the moment a degree of public ignorance on it?

Mr Lovewell: I think there is a degree, yes.

Q649 Lord King of Bridgwater: What do your people actually say in your stores when people come in at the moment about what radio people should buy?

Mr Lovewell: Again we come back to the timing. We have no set time when analogue will switchover to digital, we are all talking around 2015.

Q650 Lord King of Bridgwater: I want to stop you for a moment. I want you to talk as a salesman in one of your stores, somebody comes in and says, "I want a radio". He does not say to them, "We do not have a timetable", what does he say?

Mr Lovewell: Because we have analogue radios and digital on sale within the stores, the sales person would give the features and benefits of both analogue and digital. Of course we

know with digital the sound quality, the actual information available for traffic. It would be up to the consumer to decide after being given impartial advice both on analogue and digital what decision they would come to on a sale.

Q651 Lord King of Bridgwater: We have listened to a lot of evidence here and if I was working in one of your stores I do not know what advice I would give at the moment as to when anything was going to happen. If I said to them, “By the way if you buy this radio and stuff it in a car ...” because you kept out of the car discussion ---

Mr Lovewell: We do not get involved in that.

Q652 Lord King of Bridgwater: Do you not, any of that? Would you not be selling converters if that came up?

Mr Lovewell: If converters came along possibly, but at the moment as membership we do not sell in-car entertainment.

Q653 Lord King of Bridgwater: You are coming up to quite a bonanza if this comes in, are you not?

Mr Lovewell: I would not say a bonanza.

Q654 Lord King of Bridgwater: If there are up to 100 million radios which may need at a time to be completely replaced and a lot of the radios, as you rightly said, we have all heard will last for 40 years, the market has been created which otherwise would not have existed. Bonanza may be an exaggeration but it is going to be a new market opportunity.

Mr Lovewell: Do not forget we only take a small proportion of the total market so I think bonanza is not the right word for my membership. Yes, there would be additional sales as there have been with TVs and converters and converter boxes over to digital TV. Yes, there would be some increase in sales but not bonanza.

Q655 Chairman: A very big market opportunity?

Mr Lovewell: Yes.

Q656 Chairman: Jaqui Devereux, you have been listening to this with great patience, apart from the times you have been putting your hand up in the air and trying to get into the conversation. First, give us your general impression before we come to specific questions on what you have heard so far and how you react to that?

Ms Devereux: Thank you, my Lord Chairman. There are two major things, I think. The big elephant in the room is the notion that FM is going to be switched off or there is a switchover and actually it is a matter for public policy the best certainty you give to any radio buyer is to say radio manufacturers must make multi-chip radios now; nothing that is single chip should be sold and they should include FM. It is that simple. It would solve the satellite problem, FM is still there, community radio is still there. There are lots of reasons for FM to still be in use, but it has got to be on one where you can basically turn the dial. It does not matter to me as a listener if it is coming through a digital transmission system or an analogue one, I care about the content. The second thing that I would really like to say here, and I have met these guys and we have talked before, we are friends, is what we are forgetting here is this whole discussion really has been about the radios, the physical piece of kit and the transmission system being used and we are forgetting something which is about the content on it. It is all very well to say, "When we switch to digital", which is a phrase I cannot abide and I keep saying, "Stop saying that because that is not going to happen", we are forgetting that people also want local stuff, they want to know what is happening in their area. That is why my sector is successful because people want to know about local stuff and they are getting less and less and less of it on all other forms of communication. That is something that is really important. For me, let us get any government, I do not care which one it is, to say, "From now on all sets must be multi-chip including FM. FM will stay switched on for the next 30

years, or whatever it is, for the long foreseeable future". Lots of these questions about what about satnav, what about this or that go out of the window, people will buy new sets but they will be able to get both digital and analogue, and that is what they need to be able to do. If we forget about the local element, I know you have had Ford Ennals here, that small commercial and community sectors bring, to say that is on a ghetto of backwater FM sets that nobody has listened to for 50 years and nobody is ever going to listen to again, denies the value of that localness. We need to go forward here. From our point of view, let us retain FM, let us make sure it is used well, all those things, let us make sure it is used for all the things it is needed for, including emergencies, because it is much better for that than digital, and let us go forward on that basis.

Q657 Chairman: What do you think of that Mr Harrison?

Mr Harrison: I think, firstly, the vast majority of digital sets will have FM in and our discussions with our manufacturer members going forward is that all digital radios will include FM. Secondly, I made the point earlier that there is no reason why people have to have a set with a multi-standard chip set in and I maintain that. We know that going forward, I think by the end of this year, as far as our membership is concerned, multi-standard chip sets will become the standard, there is no doubt about that. If you have a DAB set then there is absolutely nothing wrong with it, it is fine.

Q658 Lord Inglewood: Just to go back to the point that you raised in respect of the point that I made, the reality is that the DAB set is going to include the capability of picking up FM so that, in fact, in reality a lot of the FM sets are no longer going to be used, I suspect. Following from that, surely many of the things that FM are delivering that you have described could in fact be delivered equally well by internet radio sets, which has been suggested. What

is your reaction to that, that could migrate the local elements of FM on to the internet which might mean in time that FM for that sector no longer existed?

Ms Devereux: I think that is what I mean by the far foreseeable future. Yes, not impossible. The reality though is that analogue radio is cheap. It is cheap to produce, it is cheap to transmit and, all right, that is because the BBC maintains the transmission system, I understand that bit of it, but it is basically really cheap, it is easy to do. The internet stuff, fine, but the kind of communities my members work with have not got the internet at home so how are they going to listen to it. There is not Wi-Fi around the country. Our members work in communities where people are at the poor end, they have got disabilities. It is a potential for the future, it is not possible now.

Q659 Lord Gordon of Strathblane: Have you got everything off your chest about digital radio per se, as it were. Tell us a little about the community radio sector. How large is it? How would you define it?

Ms Devereux: New kid on the block is the community radio sector. Obviously you are aware it has now been going for five years. The first licensee's licence is due up hopefully for renewal in November this year. There are now over 200 licensed full-time community radio stations of which 16 have either not started or given their licences back.

Q660 Lord Gordon of Strathblane: Sixteen?

Ms Devereux: Sixteen, which is quite a small churn rate for a new set of businesses.

Q661 Lord Gordon of Strathblane: I understood the gap was bigger which was why I asked you to spell it out. I thought there were 200 odd licences, but only 140 on air.

Ms Devereux: Yes, there are about 160 on air now. Of the 200 licensed only 16 have not started, the others are waiting to come on air, the other 40 or so.

Q662 Lord Gordon of Strathblane: There is nothing sinister in the delay, like economic forces?

Ms Devereux: No. I have described it a little bit like having a baby. You go up to the pregnancy and get the licence and then think, “Oh, what do I do now”. Organisations are allowed two years to get on air from the time of the licence award and it quite often takes that amount of time.

Q663 Lord Gordon of Strathblane: None of them is exceeding the two years?

Ms Devereux: No, they are not allowed to have the licence if they exceed two years. The 16 includes two stations which could not manage to launch on time. It is growing bigger. It is UK wide, all four nations, every region - rural, urban — I am sure you know this much better than me probably. At the last Ofcom report something like 150,000 hours of volunteering every month. These are from people in communities who would not go down to their local CBS, they do not go along to the station to volunteer, they think, “I like the sound of this, I want to do some. What is this about”. That is because they are stations that can be broadcast in 15 community languages. It is that kind of direct broadcasting to the people in the community that makes it work.

Q664 Lord Gordon of Strathblane: For clarification, some of the community is geographical, some of it is community of interest, like language across a wider area?

Ms Devereux: Yes.

Q665 Lord Gordon of Strathblane: What is your source of funding by and large?

Ms Devereux: For community radio, if I can lump it together, it is public body funding, essentially. Service Level Agreements with local authorities, grants from local authorities, occasionally from things like Big Lottery but not often. Service agreements with things like

health, police, fire, people like that, because basically they are putting out those messages, again often in languages that those organisations will not normally do through to communities and people they are trying to reach. There is lots of anecdotal evidence that actually that works and the police or the health service suddenly find all those people on their doorstep they had not had before because they heard it in their own language. Most of their money, in fact, comes from those kinds of sources. A very little bit comes from the Community Radio Fund, 200 stations approximately, £100,000, work it out.

Q666 Lord Gordon of Strathblane: I thought it was half a million.

Ms Devereux: It is a half a million, that is correct, £500,000. About 18 per cent comes from on air advertising, sponsorship, not very high. There are very, very few stations who would like to be able to get more than that, more than the 50 per cent rule but most do not and do not come anywhere near it. Some refuse to take advertising sponsorship anyway. It is very much part of the voluntary sector, it is a new part of the third sector. In that sense, to go back to your original part of the question, funding is a bit parlous at the moment and that is because as things squeeze the new kid gets squeezed out. We have got a lot of work to do to maintain the health of the sector.

Q667 Lord Gordon of Strathblane: Why does it get squeezed? Do you mean the local authority funding is declining?

Ms Devereux: I meant the general thing, there is a squeeze coming on the sector as a whole and obviously community radio is part of that.

Q668 Lord Gordon of Strathblane: Do you have any worries on the local authority side that the funding comes with any strings attached? If you came aware with a fairly severe

criticism of the council would you be rather worried that your funding the next year might be diminished?

Ms Devereux: I have to say, on a personal note, I have worked in the voluntary sector for the last 35 years or so and every funder has strings and does not like criticism. Organisations need to be very, very careful that they have things in their grants called Service Level Agreements that are very clear about independence. Obviously as a radio broadcasting medium they have also got the Broadcasting Code which means they have to maintain independence. Local authorities know that before they fund them. I have not yet heard of a local authority pulling its funding because somebody on the radio said something they did not like. They might have challenged it but not actually said, “We’re not going to fund you any more”.

Q669 Chairman: If I was to set up a community radio station called Council Watch, my chances of getting local authority funding would be not very great?

Ms Devereux: The other way of looking at that is if they are watching the council they are performing some of that local news function. It is not a journalist reporter going and getting that but local people coming and saying, “This happened to me”. Now councils have other things they have to do so they have reach into different kinds of communities, they have all sorts of targets around voice and local democracy. You set up Council Watch and, yes, somebody might say something you do not like but equally you are going to get a lot more back in terms of meeting your targets and I think that is how they are able to sell it.

Q670 Lord Gordon of Strathblane: You have come out quite strongly in favour of the Digital Economy Bill and yet I do not imagine many of your members will migrate to digital. Presumably they will migrate to greater use of FM that might be released?

Ms Devereux: We are mostly in favour of the Digital Economy Bill. It has some shortcomings in our view because it does not have any guarantee for the longer term future of FM, or the longer term future of community radio and that is something we would have liked to have seen in it. There is a statement obviously and there is behind the scenes commitment to the future of community radio as the new third tier radio company and all its localness as I have just described. For us it does not go far enough on that sort of level. In terms of opportunity, if FM is freed up by digital migration - that is the phrase, boys, not switchover - then actually far more communities around the country could have community radio or small local commercial. We co-exist quite happily. That could be seen as a good thing to really encourage and come out and say strongly we really want small local radio like we want to support local newspapers. We need these level in broadcasting. It is about the only place we have got it now, so come out and say it strongly. That is what we would really like to see and that is not in the Bill.

Q671 Chairman: Is there any figure for listeners?

Ms Devereux: We do not use RAJAR obviously. Stations do quite a lot of surveying, that kind of thing.

Q672 Chairman: There is no national figure?

Ms Devereux: No national figure, no. The last Ofcom annual report 2009 estimated that community radio could reach about 15 million people. At a guess, I would say the audience is probably about 1.5 million. When people have done local surveys and have surveyed 500 people and have said, "Have you done all these things that people do" it comes back at around ten per cent of the population.

Q673 Baroness Eccles of Moulton: Is it true that it would not be possible for community radio to be broadcast through the digital method?

Ms Devereux: It is technically possible, it is inordinately financially expensive and currently, and even by 2015, there is not enough room on digital multiplexes for the large nationals and regionals let alone the small locals, so there is also capacity on the multiplex issue. The biggest, biggest one is cost. The second biggest one is desirability and what I mean by that is if you are a radio station in St Albans, you are broadcasting at the moment to most of St Albans. If you go on the local multiplex you are broadcasting to Herts, Beds and Bucks. That is okay, there is nothing wrong with that, but how do you maintain the accountability to your local community, what is to stop it becoming more and more quasi commercial effectively. I think there are several issues there but the biggest one is cost. The transmission costs for digital radio as opposed to analogue radio are something like six times bigger.

Q674 Baroness Eccles of Moulton: It is an ongoing revenue cost, as it were?

Ms Devereux: There is also, as we stand at the moment, and likely to be so in 2015 or whatever date we finally end up with because I do not think it will be 2015, an absolute capacity issue with the multiplexes.

Q675 Baroness Eccles of Moulton: There is also a big capital cost in upgrading and maintaining FM alongside digital.

Ms Devereux: This is undoubtedly true. It is quite interesting to know what will happen with FM, not in the sense I am talking about whether there could be more community radio stations, there are still discussions as far as I am aware within the BBC about whether or not they will switch their own BBC local radio on to digital and if they do not then they probably will continue to cover the cost of transmission or we will have to come sort of deal with them.

Q676 Baroness Eccles of Moulton: If they do switch their local radio to digital what will that actually mean for community radio?

Ms Devereux: I am not an engineer so I have to apologise, but basically, yes, there will be an engineering issue in terms of the FM transmission system which we do not have an answer to yet. In that sense our sector is poor, it is not Fox News. Stations work on £20,000 a year some of them, that is the smallest, and that purely pays for their transmitter, everything else is volunteer. There is no way, without generating more from the public purse which does not sound a desirable thing to do in that sense, of getting community radio on to digital. There are lots of other mechanisms government can use that have opportunity costs, must carry, that kind of thing. We have had the arguments with Government about community television on those lines which obviously we do represent as well. There are huge issues there and it comes back to what I started with really, if there is a commitment to having localness as part of our broadcasting ecology community radio is one of the things that provides that and, therefore, how should it be facilitated. I do not mean carried, fully funded or anything like that, but how should it be facilitated to keep that for people 20 or 30 years from now. So that is a political decision; it is a cost decision but it is a political will decision. That is why we keep coming and talking to Government, trying to say, “Hey, you want this, you say it is good.” People are recognising the value of it more and more – Members of Parliament, local councillors. The Democracy Agenda, the Voice Agenda, community cohesion, it is working on all of those issues, but it is not just radio, and the just radio bit is the bit that almost falls by the wayside and does not get facilitated enough. We have talked about the community radio fund, if people want it raised, it is actually to cover those core costs of running a radio station as opposed to doing the other things which are all about social gain, community benefit and localness.

Q677 Baroness Eccles of Moulton: Of course another strong card you are going to have to play for supporting and stabilising community radio is the fact that other forms of media have become less and less local with the advent of the net.

Ms Devereux: Yes, absolutely.

Lord Maxton: The internet can be much more local.

Baroness Eccles of Moulton: Not for everyone.

Chairman: Thank you very much. You have been very patient, we have gone on way over time and I would like to thank you very much for the evidence you have given and the way you have responded to questions which has been first class as far as we are concerned. If we have any more questions, perhaps we can do them by post or email but, for the time being, thank you very much indeed for coming.