HOUSE OF LORDS

Select Committee on Communications

2nd Report of Session 2009–10

Digital switchover of television and radio in the United Kingdom

Report with Evidence

Ordered to be printed 18 March 2010 and published 29 March 2010

Published by the Authority of the House of Lords

London : The Stationery Office Limited
£price

HL Paper 100

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Digital switchover of television and radio in the United Kingdom

CHAPTER 1: INTRODUCTION

1. The Committee decided to undertake an inquiry into digital switchover as it affects both television and radio in the United Kingdom. The programme to switch over television broadcasting from analogue to digital is now well under way having started in 2008. The Government's aim for radio—as set out in its White Paper Digital Britain—"is the delivery of a digital radio upgrade programme by the end of 2015". It soon became clear in our inquiry that the major questions concerned radio.

2. By the end of March 2010 about a fifth of television viewers will have switched over and the programme appears to have run relatively smoothly. The major qualification concerns the Help Scheme where there was a very significant overestimate of the number who would take up assistance. The estimate was that 65 per cent of those eligible would claim. The figures show that the proportion of those eligible who have claimed is only 18 per cent. It means that BBC licence fee payers—the scheme was funded through the licence fee—are likely to have paid between £250m and £300m above what was necessary. In addition the licence fee, which is a regressive tax, has also provided £50m above what is necessary for the communications strategy.

3. One of the advantages of the television switchover programme was that the benefits of digital delivery were well accepted and understood. In contrast the case for change in radio is not as compelling. The surveys show that there is strong public satisfaction with the present FM system and with the range of programmes that are provided. The case for radio switchover has not been made to the public although the date of switchover is only a few years away.

4. Currently there is public confusion and industry uncertainty. The public are not yet convinced of the need for change and there are major issues of policy still to be settled. Evidence supplied to the committee suggests that between 50m and 100m radios could become redundant and will need to be replaced; while some 20m car radios will require converters in order to receive a digital signal. As it stands at present the entire cost of these changes will be borne by consumers.

5. At present we are in the unhappy position where consumers are still buying analogue radios although they may be out of date in a few years' time—or, at best, of limited use. Retailers are not giving sufficient guidance to customers and complain of a lack of guidance themselves. Car manufacturers are continuing to fit analogue radios and say that 2013 is the earliest date when digital will be standard. Radio broadcasters are currently being required to meet the extra cost of dual transmission in analogue and digital—which particularly hits the hard pressed commercial radio sector.

6. No one can be satisfied with the present position. There is an urgent need for clarity which was emphasised by almost all those who gave us evidence. No way forward is entirely painless but at the very least the public deserve to know what is being planned. They need to be assured that every effort is

being made to minimise their financial loss and that they will benefit from a better radio service. As taxpayers, they need to know how the costs of the programme will be apportioned. Our proposals are aimed at bringing greater clarity to the industry and reassurance for the public. If nothing is done then there is a danger of a major public reaction when the radio switchover policy is implemented.

7. The membership of the Committee is set out in Appendix 1 and the Call for Evidence in Appendix 3. We received 163 written submissions, including 126 from members of the public, and took oral evidence from 22 witnesses, who are listed in Appendix 2. We should like to express our thanks to all who have assisted us in our work. We should also like to thank our Specialist Adviser for this inquiry, Professor Richard Collins, Professor of Media Studies at the Open University.

CHAPTER 2: WHAT IS DIGITAL SWITCHOVER IN TELEVISION AND RADIO?

8. In this chapter we consider the differences between analogue and digital broadcasting for both radio and television. For each, we outline the advent of digital broadcasting and trace the point reached today. We then look at Government policy and progress on television switchover and Government plans for digital radio switchover. The move to digital radio is variously described as switchover, migration and upgrade. We have used the word switchover in this report. When we refer specifically to the Government's radio switchover programme, we have used its full name, Digital Radio Upgrade, or Upgrade.

What is the difference between analogue and digital broadcasting?

9. Both digital and analogue television and radio broadcasts are transmitted using the part of the electromagnetic spectrum (radio spectrum). Analogue broadcasting transmits sound and pictures as a continuously varying signal, while digital broadcasting first encodes them into a series of binary digits (zeroes and ones). This means a digital broadcast can be 'compressed' by computer processing, so it uses less space in the spectrum than an equivalent analogue broadcast. In the case of television, up to eight digital television channels, as well as radio and text-based services, can be carried in the space occupied by one analogue television channel. In the case of radio, for example, up to ten or eleven national radio services, using the Digital Audio Broadcasting (DAB) system, can be carried in the space required for one national analogue network. The space freed up on the spectrum by switching from analogue to digital television broadcasting is in demand for other services, but the space freed up by digital radio broadcasting has limited current economic value for services other than radio.

10. Digital television signals can be broadcast by terrestrial transmitters, by satellites or via cable. A set-top box or integrated digital television must be used to decode the signal. Digital radio signals are broadcast, in the UK, using the DAB system, and digital radio is also available via digital television and the internet.

11. Digital broadcasting offers the following potential benefits to consumers:

- A greater choice of services
- Extra information on programmes and interactive features
- Easier tuning and new functions
- Less interference to pictures or sound

Analogue to digital broadcasting for television

12. Analogue television broadcasting started in the UK in 1936. From one channel, the BBC, it expanded gradually to five by 1997. Analogue cable and satellite broadcasting began to compete with the terrestrial channels during the 1980s, but commercial digital television only started with Sky's digital satellite service, launched in October 1998. Later that year, the first digital terrestrial television service, ONdigital (later ITV Digital, which closed in 2002), was launched. All terrestrial television channels are now transmitted digitally and the only channels which are transmitted in parallel in analogue form are those

of the public service broadcasters (PSBs)—BBC One, BBC Two, ITV1, Channel 4, and Five. The PSB channels which are received by 98.5 per cent of the population will be switched off in their analogue form by the end of 2012.

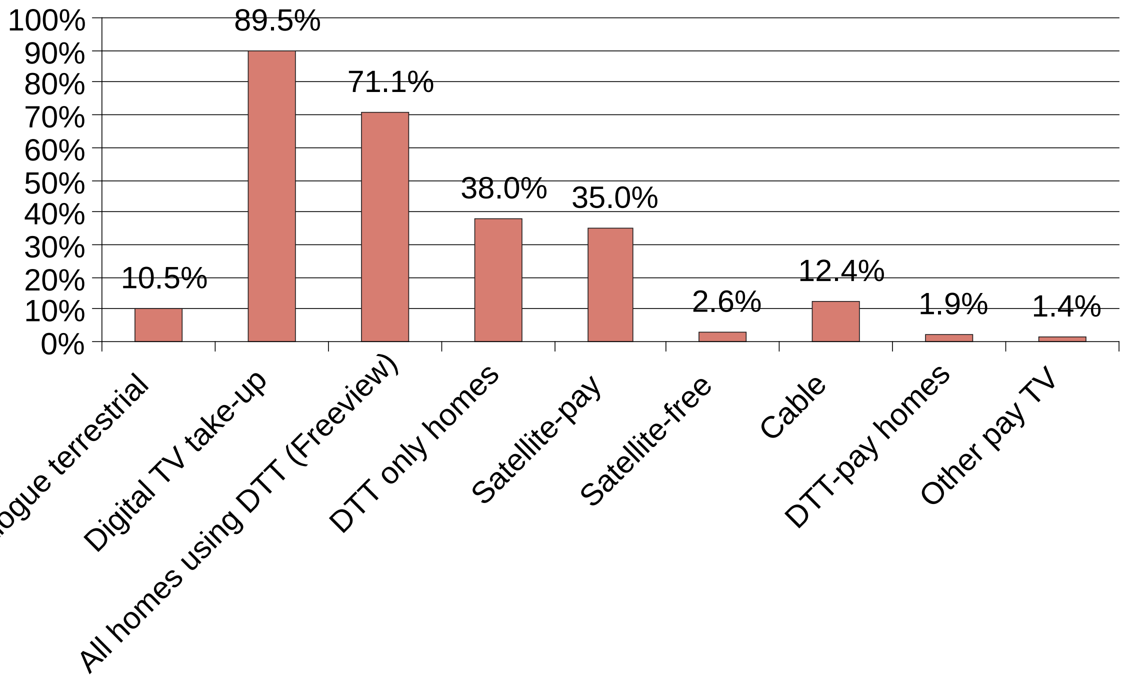
13. There are currently three main ways of receiving digital television in the UK, Digital Terrestrial Television (DTT), satellite and cable (the latter two are mainly subscription-only services):

- DTT, broadcast by transmitter masts and received via the same aerial used for analogue signals. The main DTT service is Freeview, launched in 2002 and owned by BBC, ITV, Channel 4, BSkyB and Arqiva (the monopoly transmitter operator). It provides around 40 channels which are free to view after purchasing a set-top box or Freeview-enabled television. DTT services are broadcast on six[2] national multiplexes. Some pay channels are also available via DTT.
- Satellite, transmitted from space and received through a satellite dish. The main satellite television service is Sky's subscription service. In May 2008, BBC and ITV launched a free to view digital satellite service called Freesat, which offers a slightly larger range of channels to Freeview and does not require a subscription. BSkyB also offers a similar service.
- Cable, transmitted by a wire directly to the television. The main cable operator in the UK is Virgin Media which offers a subscription service.
- Additionally the internet can be used to receive digital television but the viewing figures are not available for this.

14. Figure 1 shows the take-up of television in the UK via DTT, satellite and cable. The proportion of homes using DTT stood at just over 70 per cent.

FIGURE 1

Platform take-up in the UK Q3 2009



Source: Derived from Ofcom—The Communications Market Digital Progress Report, December 2009

2 In late 2009, one of these multiplexes was cleared to be used for forthcoming high-definition television services.

Analogue to digital broadcasting for radio

15. Radio services in the UK were launched by the BBC in 1922, broadcasting on AM (also known as Medium Wave and Long Wave). In 1955, the BBC launched FM (sometimes known as VHF) services, which offered much better sound quality but required listeners to buy new radio sets to listen to FM. The BBC broadcast all services on both FM and AM, as did commercial radio from its launch in 1973. By the 1980s, the majority of listening was on FM. AM (particularly Long Wave) services, however, remained important for services such as storm warnings, the shipping forecast and emergency communication. This is because transmissions on Long Wave frequencies have a greater range than transmissions using the frequencies on which FM and DAB services operate.

16. In the late 1980s, both commercial radio and the BBC began to offer different services on AM and FM, so that listeners needed sets with AM and FM reception if they wanted to receive the full range of services broadcast in the UK.

17. The BBC began broadcasting its existing analogue radio services in digital format in 1995, but the first radio services developed specifically for digital transmission were in the commercial sector. The Broadcasting Act 1996 allowed for licensing of commercial digital multiplexes through a tender process. It provided an incentive for digital broadcasting by offering a 12 year extension of national and local commercial analogue radio licences for services that were simulcast in digital. In return for security of tenure, almost all stations decided to opt for simulcasting, despite the extra cost of transmission without additional revenue.

18. National digital services are carried on two multiplexes. The first national commercial radio multiplex was awarded in 1998 to Digital One, the only bidder. By August 2000, Digital One was carrying ten national digital radio stations. In 2002, the BBC launched its digital only channels, Radio 5 Live Sports Extra, 6 Music, 1 Xtra, BBC 7 and the Asian Network[3]. It currently uses its own separate national digital multiplex to broadcast these services, the five networks—Radio 1, 2, 3, 4 and 5 Live, and the World Service, all of which are also available in analogue.

The decision to switch off analogue television

19. Ofcom identified three key drivers behind the Government's decision to switch from analogue to digital television were (p 37):

- To benefit the consumer by extending digital terrestrial coverage to match analogue coverage: Prior to the start of switchover, around 27 per cent of the population had no access to DTT and the substantially higher number of channels that it offered, and this was a source of considerable consumer dissatisfaction. After switchover, 98.5 per cent of households, matching existing analogue coverage, will have the option of receiving between 15 and 40 television channels[4], which will be broadcast from all

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[3] The BBC's strategy review of March 2010 proposes closing down 6 Music and Asian Network (see Chapter 5).

[4] As well as offering many more channels than analogue, all digital television platforms offer differing levels of interactivity, for example, the option to watch a number of sporting events at the same time, or obtain more information on a programme using the red button on a remote control. Some digital platforms also offer the potential for viewers to catch-up with television programmes that they would like to watch after the programme has been broadcast (known as on-demand).

1,154 transmitter sites. 90 per cent of the population (served by 80 of these sites), will receive around 40 channels.

- To benefit the UK economy through the more efficient use of spectrum: The opportunity to release valuable space (about one third of the total analogue space) on the spectrum which could be sold for other sought-after services such as mobile communications services, and satellite links[5].
- The analogue television system was designed over 50 years ago and needed updating.

20. In addition, the Government expects that switching over from analogue to digital broadcasting will benefit UK public service broadcasters as a result of their costs being lowered by no longer having to transmit services in both analogue and digital[6]. Overall, we believe the case for digital switchover for television was convincing both for the consumer and the British economy.

21. In 2005, the Government's cost benefit analysis of digital television switchover estimated that the likely cost to the UK economy of £4.6bn, would be outweighed by benefits of about £6.3bn[7]. This cost benefit analysis, based on conservative assumptions, foresaw spectrum benefits of £1.7bn. In 2009 Ofcom estimated that reuse of the spectrum alone would realise economic benefits of £5bn to £12bn[8]. These estimates therefore suggest that the benefits of television switchover will considerably exceed costs.

22. The costs of switchover will be met by the public service broadcasters (BBC, ITV, Channel 4, Five, Teletext, S4C) through funding the upgrade of the transmission network (£0.8bn); and by consumers, who will shoulder most of the cost, as they need to acquire and install digital receiving equipment (estimated at around £3.8bn).[9]

The Government's planning process for switchover from analogue to digital television

23. In 1999, the Government set out two criteria to be satisfied before analogue television switch-off[10]. These were:

- Everyone who could get the main public service broadcasting channels in analogue form (BBC 1 and 2, ITV, Channel 4/S4C, Channel 5 and Teletext) would be able to receive them on digital systems;
- Switching to digital would be an affordable option for the vast majority of people.

24. In 2001, the Government formed the UK Digital TV Project to advise on whether to proceed with switchover and also how and when. In September 2005, the Government committed to replace analogue television with fully digital television in the UK—this programme is known as digital

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5 Economic impact of the use of radio spectrum in the UK, November 2006, Ofcom.

6 Cost benefit analysis of Digital Switchover, DTI and DCMS, 2005.

7 Ibid

8 Digital dividend: Clearing the 800 MHz band, Ofcom, 30 June 2009.

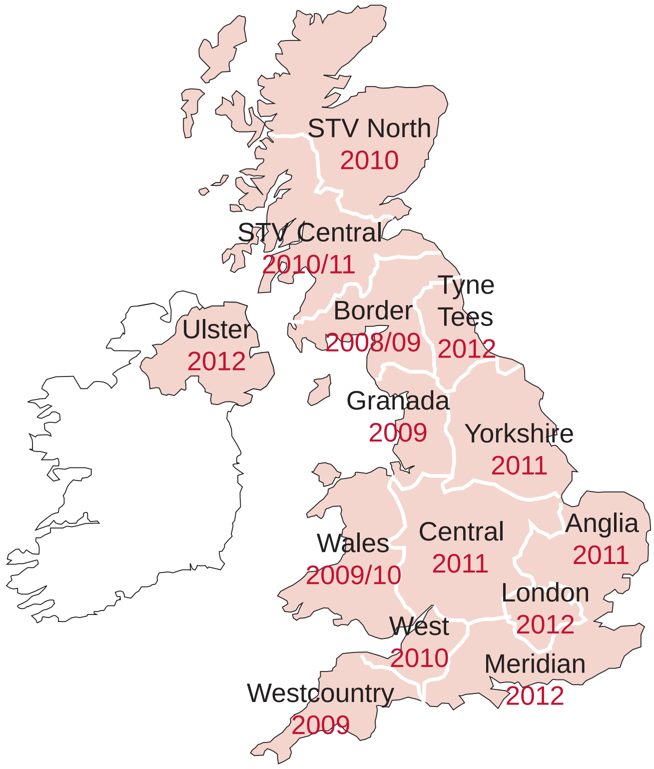
9 The Digital Switchover programme—programme structure. Ofcom 2007.

10 Digital Television Action Plan, October 2004.

switchover[11]. The digital switchover programme involves the new digital transmission network being put in place and the analogue signal switched off, region by region, in a phased programme from 2008 until the end of 2012[12].

FIGURE 2

Television switchover programme by region: 2008–2012



Source: Digital UK

The Government's plans for digital radio

25. In June 2009, the Government set out its plans[13] for Digital Radio Upgrade, covering the choice of DAB as the UK's dedicated digital standard for broadcast radio[14], a structure of services on digital and FM, and a target date and criteria for the Upgrade to go ahead.

26. The Government has set two criteria which, when met, would make possible the announcement of a date for Digital Radio Upgrade. Implementation would be at least two years after the announcement. The two criteria are:

- When 50 per cent of radio listening is to digital sources; and

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11 In May 2005, the European Commission also issued a communication stating that the Commission expected all member states to be ready to switch off analogue television by 2012.

12 The UK's entire network of 1,154 terrestrial television transmitter sites needs to be converted to digital, so that near universal coverage of digital television can be provided. This requires major and complex engineering work to convert each of the transmitters, and therefore the work is being done as a phased regional switchover rather than a single UK-wide switchover date. When a region has switched over to digital, its analogue signals will be switched off.

13 Digital Britain, June 2009, p 91–103.

14 DAB is one of a number of platforms which can be used to receive digital radio. Given the present speed of technological development we are aware that by 2015, the expected date for radio switchover, existing technologies will be more fully exploited and new ones may emerge. In particular the Government is committed to ensuring that all households in the UK have access to broadband and therefore the internet. Internet radios are already available on the market.

- When national DAB coverage is comparable to FM coverage, and large local DAB coverage reaches 90 per cent of the population and all major roads[15].

27. The Government's intention is that these criteria "should be met by the end of 2013"[16], paving the way for delivery of the Digital Radio Upgrade programme by the end of 2015[17]. There will not be a complete switch off of analogue radio services. The Government envisage that following the Upgrade:

- All national and large local services will be carried on DAB multiplexes only and will no longer be broadcast on analogue; but
- Ultra-local radio services, consisting of small commercial stations and community stations will continue to broadcast on FM.

28. This means that radio services currently on Medium Wave will move to DAB or, if they are ultra-local, move to FM. The Government envisages that these changes would create three tiers of radio services:

- A national tier, broadcast in digital, via the BBC's and commercial radios national multiplexes;
- A regional/large-local tier broadcast in digital, via the regional and local multiplexes run by commercial radio, also carrying BBC's local and nations' services;
- An ultra-local/community radio tier, broadcast on FM,

It has not yet been decided which local services will be included in the second or third tier of radio services. The Government has said that "... there is no simple answer and the decision of individual licensees is likely to be driven largely by the relative economics of broadcasting to their audiences on DAB and FM"[18]. Some estimates suggest that over 120 commercial stations are likely to remain on the third tier—the FM network (p 77).

29. The Digital Economy Bill, introduced into the House of Lords on 20 November 2009, proposes a number of changes to the existing legislative and regulatory framework which would enable the Digital Radio Upgrade to go ahead[19]. While the Bill does not set a date for digital switchover of the specified services, it gives the Secretary of State the power to nominate the date (or dates). The Bill also provides Ofcom with additional powers to ensure an orderly migration from analogue to digital. These powers cover matters such as renewal and termination of licences, variations in the coverage of multiplex licences and sharing of premises and costs between analogue stations.

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15 These criteria reflect the proposals of the Digital Radio Working Group, which was established by the Secretary of State for Culture, Media and Sport in November 2007 to consider, amongst other things, what needed to be achieved before digital platforms could become the predominant means of delivering radio. The DRWG submitted its final report in December 2008.

16 Digital Britain, June 2009, p 93.

17 The Digital Radio Working Group's final report did not propose a firm date for migration, but contained an "aspirational" timetable, suggesting that migration might take place in 2017.

18 Letter of 10 March from Lord Young of Norwood Green, Minister for Postal Affairs and Employment Relations to Lord Fowler, available at: http://interactive.bis.gov.uk/digitalbritain/digital-economy-bill/

19 Digital Economy Bill, 19 November 2009, sections 30–36.

CHAPTER 3: THE SWITCHOVER OF TELEVISION IN THE UK

30. This chapter outlines the arrangements for implementation of the digital switchover programme for television and progress on implementation.

Section one—the implementation of the switchover programme

Who is involved in running and managing the digital switchover programme?

31. The core partners in the digital switchover programme are:

- The Government: the Departments for Culture, Media and Sport (DCMS) and Business, Innovation and Skills (BIS) have joint responsibility for the policy of digital switchover. They have an agreement with the BBC that the BBC should fund Digital UK's public communications campaign and manage the Help Scheme for vulnerable groups (see Appendix 4);
- Digital UK: Digital UK[20] is responsible for leading the implementation of switchover by coordinating the switchover activities of broadcasters and transmission companies; and running the public communications campaign. It is an independent, not-for-profit organisation established in April 2005 at the request of Government; and
- Ofcom: the communications regulator is responsible for the regulatory regime for switchover through licensing broadcasters and spectrum management. Under the Communications Act 2003, Ofcom has an obligation to require public service broadcasters (except the BBC, which is governed by its Royal Charter) to replace analogue broadcasts with digital broadcasts, through the issuing of new broadcast licences.

Delivery of the digital switchover programme

32. Digital switchover policy has three core objectives[21]:

(i) Conversion of television transmitters to provide near universal coverage of digital television

The UK's entire network of 1,154 terrestrial television transmitter sites needs to be converted to digital in order to provide near universal coverage (98.5 per cent of households). This requires major and complex engineering work to convert each of the transmitters. This programme is being delivered[22] by the privately-owned transmission company Arqiva[23], which owns the network. It is contracted by the broadcasters for the upgrade of the transmission system for digital switchover.

(ii) Informing the public about digital switchover

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20 Digital UK is a private company limited by guarantee and owned by the BBC, ITV Network Ltd, Channel Four TV Corp, Channel 5 Broadcasting Ltd, S4C, Teletext Ltd, SDN Ltd and Arqiva.

21 Preparations for Digital Switchover, Report by the Comptroller and Auditor General, HC 306, 2007–08.

22 Initially the programme was going to be jointly delivered by Arqiva and National Grid Wireless, but Arqiva acquired National Grid Wireless in 2007 and traded under the brand name Arqiva from 2008.

23 Arqiva Ltd is owned by a consortium of eight shareholder groups, the two largest being Canada Pension Plan Investment Board (CPPIB) with a 48% holding and Macquarie European Infrastructure Fund 2 (MEIF 2) with 21%.Various other Macquarie-managed funds account for 13%, Industry Funds Management (IFM) has almost 13% and Motor Trades Association of Australia (MTAA) holds 5%.

Digital UK manages the communications campaign, informing consumers, in advance of switchover, through a series of mailings to every household combined with national and regional advertising campaigns and regional roadshow events[24]. The Government directed that £200m from within the 2007–13 BBC licence fee settlement be used to fund the campaign. Digital UK provides, through the Digital Outreach programme[25], tailored switchover information, support and outreach to up to 12 million people identified as potentially vulnerable, but not eligible for the Help Scheme. Those targeted include people with mobility impairments; those with learning difficulties; the socially isolated; those who speak English as a second language; and certain older people under 75.

The communications campaign also involves providing consumers with information, at the point of sale, about suitable equipment for purchase. The 'digital tick' logo[26] on digital television equipment, launched by the Government in 2004, provides consumers with assurance that the products will work after switchover.

(iii) Provision of assistance to vulnerable consumers

The Government-devised Help Scheme was primarily intended to address physical and cognitive needs rather than financial needs[27]. The key features of the scheme are outlined in Appendix 4.

There were two possible sources of funding for the Help Scheme: public service broadcasters or central government. The Government decided that the BBC should administer the scheme[28], that it should be funded through the television licence fee, and that £603m over the period of the 2007–13 licence fee settlement should be used for this purpose. The BBC set up a wholly owned subsidiary company, Digital Switchover Help Scheme Limited (DSHS Limited) to subcontract[29] and oversee the delivery of the scheme.

Section two: How television switchover has gone so far

General progress on digital switchover for television to date

33. Four out of fourteen television regions have completed switchover (as at the end of March 2010)—Border, West Country, Wales and Granada, which amounts to 21 per cent of the UK population. According to David Scott, Chief Executive of Digital UK, (who gave evidence and figures as at January 2010), the switchover in each region has gone well. "So far we are 18 per

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24 The commercial PSBs also are required through their licences to inform viewers about switchover, but they are not contributing to Digital UK's communications campaign budget.

25 It awarded a £2.9m contract in 2008, to Digital Outreach to deliver the programme with a consortium of voluntary sector organisations. Services offered include training, information provision, meetings, events, home visits and help centres.

26 In September 2004, the then Department of Trade and Industry launched a 'digital tick' certification mark to enable manufacturers and retailers to use (under licence), to help consumers identify digital television products and services that are designed to work through switchover. Digital UK administers and coordinates key elements of the scheme on behalf of the Department for Business Innovation and Skills.

27 Preparations for Digital Switchover, Report by the Comptroller and Auditor General, HC 306, 2007–08.

28 It did this through the Green Paper: Review of the BBC's Royal Charter (March 2005), in which the Government stated the intention to ask the BBC to help implement and pay for a scheme that will ensure that no one is left behind at switchover.

29 DSHS Limited subcontracts the running of the Help Scheme to Eaga plc.

cent of our way through this process but all the indications are that the digital television switchover project is on track and will conclude on time, and will be well within its budget" (Q 74).

34. Other witnesses agreed that switchover was generally proceeding smoothly. Siôn Simon, then Minister for Creative Industries, told us that it had been conducted with very little difficulty so far. "I am wary of being hubristic or complacent because it is the kind of massive undertaking in which it is always possible for something to go wrong, but so far I do think it is 20 per cent of the way through and it seems to have been conducted, as far as consumers are concerned, with very little difficulty" (Q 551).

35. At the time of writing, Granada was the biggest region to have switched over. The Government said the Granada switchover was a significant milestone involving over three million homes, and raising the percentage of UK switched over from seven to 18 per cent (p 148). Initial indications were that the vast majority switched with no difficulty. Channel 4 agreed, noting that Granada was always seen as the big test of the digital switchover programme by Digital UK and that it was completed successfully with minimum disruption (p 189). Digital UK told us that a formal evaluation of the Granada Switchover will be completed in April 2010 (p 13).

36. Progress on switchover has benefited from market decisions of consumers. When the Government announced the switchover programme in 2005, 66 per cent of UK households already had at least one television set capable of receiving digital services. This rose to 88 per cent by the start of switchover in autumn 2008 (p 38). Therefore, many households had made the switchover voluntarily in advance of their area switchover date. Evidence from Five said that the switchover process had been "helped immeasurably" by the consumer's voluntary take-up of digital television (p 190). David Scott told us "I think that as we go through the process we are working with the grain of the market place" (Q 25).

37. **We welcome the fact that, so far, the television switchover programme is running to time. The programme is only about a fifth of the way through and only one major urban area so far switched over. It is too early to confirm the entire process as a success, but the progress so far has been encouraging. It has been greatly helped by the voluntary take up of digital television by the public.**

Progress on delivery of the three key policy objectives of the switchover programme

Changes to the broadcasting infrastructure

38. The extension of digital coverage to 98.5 per cent of the population requires large scale technological change in the infrastructure used to broadcast television programmes and the equipment that consumers use to receive them.

Build-out of the digital transmitter network

39. We were told that build-out of the infrastructure is running to time and to budget. The BBC said that "switchover is the most challenging broadcast engineering project ever undertaken in the UK" (p 99), but that despite its scale and complexity it is progressing as expected and on time. David Scott

told us that Digital UK has complete confidence in finishing on target (Q 20).

40. David Scott went on to say that, because switchover is highly dependent on the build-out of the digital transmitter network, once dates are set for each region they are extremely difficult to move. The main element which affected the transmitter project was the weather, and contingencies were built in to deal with this. So far, Digital UK had been able to cope with the recent wet summers and snowy winters without getting behind in its schedules (Q 20).

Digital television equipment

41. There are two main reasons why the equipment needed to receive digital television can prove more difficult for viewers to use than analogue television equipment. First, it is necessary to re-tune equipment in order to receive the digitally broadcast channels. This can pose a challenge, particularly as it may need to be done several times. Secondly, installation and use of equipment can prove problematic as digital television requires the use of menus and prompts which may be difficult for some viewers to use.

Re-tuning

42. The re-tuning of digital televisions and set-top boxes has emerged as the most difficult problem faced by some viewers who have switched over from analogue to digital television. Digital UK told us that re-tuning can cause difficulties because it is a new experience for people, but that the proportion reporting problems is very small: "We normally find that about one per cent of homes in the area will telephone us on switchover day asking for advice and information. The matter which they on the whole find difficult is how to retune their Freeview equipment, which they may have had installed for some years but not have retuned and so it is a new experience for them" (Q 17).

43. A number of witnesses told us that consumer understanding had improved. Digital UK said that viewer understanding of retuning "improved significantly" after the national re-tune on 30 September 2009 (p 2). The BBC told us that, as a result of the national re-tune in 2009, Digital UK has assembled re-tuning guides for more than 300 different devices, and that management of re-tuning had now become a routine task (p 99). Channel 4 also suggested that issues relating to re-tuning were initially underestimated by Digital UK, but that this was recognised in early 2009, and messages had been successfully adapted (p 189).

44. Digital UK told us that the Help Scheme would now include a set-top box which will help resolve the re-tuning issue for the scheme's beneficiaries. Peter White, Chief Executive of the Digital Switchover Help Scheme (DSHS), said, "… we are just about to introduce a new Freeview box ... That box really copes well with re-tuning" (Q 1).

45. Age Concern, however, was not convinced that the re-tuning issue had been solved. It thought that re-tuning continued to be an issue in the Granada area and that insufficient practical support for re-tuning was available. They felt that this problem was exacerbated for those with dexterity or sight problems (p 116).

46. We note that a small proportion of viewers are having problems with digital equipment. The main problem is re-tuning but we believe this is being

addressed by Digital UK, which has improved its communications about the issue. **Whilst we were made aware that some viewers have experienced re-tuning problems in the course of switchover, we conclude that, so far, the proportion of viewers experiencing these problems appears to be small and Digital UK is working to resolve the issues where possible.**

Difficulty of installation and use of equipment

47. Consumer Focus said that there was a "hidden complexity" to digital switchover for consumers in that many struggled to understand what switching meant in practical terms. They also drew attention to the difference between knowing it was happening and knowing what to do when switchover happened. Consumers needed to find the best equipment option for them, find out how to install the equipment successfully, and deal with post-switchover changes. Consumer Focus saw a tension between usability and more sophisticated functionality of devices. Manufacturers tended to prioritise increased complexity and technical add-ons over ease of use (p 118).

48. The RNIB highlighted the difficulty for the blind and partially sighted in navigating channels via on-screen menus (p 125). Leen Petré, Principal Manager of RNIB said, "you need that information in a multi-channel environment to be able to know which channel you are on and to know what programmes are on and to make your selection" (Q 445). This can be solved by using text to speech technology, but the RNIB have had to invest £1m to bring such a solution to the market (p 125).

49. Ofcom thought that a "small but significant minority" of viewers experienced some disruption with switching to digital, adding that many of the problems related to equipment that was difficult to operate or poor quality household installations (p 38).

Digital transmission problems

50. Digital transmission raised a number of issues for viewers, including receiving transmissions from more than one television region; receiving a varying number of channels depending on location; and issues with poor reception.

Receiving channels from a different region

51. Ofcom told us that some viewers get services from a different region or part of the UK, as well as their own region (referred to as regional overlap) (p 34). In effect, such viewers were being served by two or more transmitters. Digital UK pointed out that this was not a specifically digital problem. However, it meant that, post-switchover, some viewers found that their preferred region's services appeared lower down the list on their electronic programme guide (p 13).

52. Digital UK said that regional overlap affected up to four per cent of homes in the Granada region, which received Welsh channels at the top of their electronic programme guides, rather than the channels transmitted from England, to which they were accustomed (p 2). Digital UK expected this to be an issue in the West region, which will switchover in spring 2010. Whilst these regional overlap issues were anticipated, David Scott of Digital UK

acknowledged that they were not straightforward to deal with (Q 28). Age Concern reported that there was ongoing confusion about regional overlaps in the Granada region (Q 443).

Varying number of channels

53. We were told that 90 per cent of the population will receive all the digital channels available on Freeview after switchover, but 10 per cent of the population would receive only fifteen to twenty channels. Ofcom went on to say that this has caused some of the latter group to feel that they are being unfairly treated (p 39). However, Greg Bensberg, Senior Adviser, Digital Switchover, Ofcom also pointed out that "the minimum policy we set for the public broadcasters going on to digital terrestrial and into switchover was that the public services had to be available to everybody who was currently on analogue television" (Q 251).

54. Digital UK explained that it has raised the profile of public information concerning Freeview channel line-ups in all its publicity and information and that "criticism of the binary variation in channel line-ups on the Freeview platform has abated although not disappeared entirely" (p 13).

Poor reception

55. A small number of households have been left without any signal on switchover, or believe that their reception is poorer than analogue services (p 189). One difference between experiencing poor reception on digital and on analogue is that a poor digital signal may mean no reception at all whereas, with analogue, poor reception tends to mean a fuzzy, but often acceptable, picture. In cases where there are intractable tuning or reception problems Peter White confirmed that the Help Scheme can provide "Freesat or a satellite service from Sky" (Q 38).

56. We have received letters from members of the public in Cornwall who were having issues with poor reception several months after the West Country switchover had begun, in September 2009. Problems included pixelation; picture freezing; blank screens; varying number of channels and sound failures. One member of the public said, "We expected our reception to get better at switchover, but it has got very much worse. The picture pixelates, the sound frequently comes and goes at different times and we frequently get no picture at all for many seconds at a time".

57. Whether or not these problems are widespread, and even if they are likely to be temporary, the situation is clearly unsatisfactory and represents poor value for individual licence fee payers who are not getting the service they have paid for. **We recommend that the Government, working with Digital UK, gives urgent attention to publicising the available solutions to the minority of people who experience difficulties in receiving a digital television signal.**

Informing the public about switchover

58. Whilst general awareness and understanding of switchover is high, there were some issues with the communications campaign that still need resolving. These include: fragmented sources of information; inconsistency of information and retailer knowledge at the point of sale; and scope for improvement in the community outreach aspect of the campaign.

The Communications Campaign

59. Representatives from consumer groups told us that the communications campaign had in the main been successful and has been adjusted and improved with experience. Digital UK said that it consulted with the Consumer Expert Group (CEG)[30] on its communications plans to help ensure that communications were clear and accessible, and that alternative formats were available where appropriate (p 14). Consumer Focus thought the communications campaign had largely been successful and that Digital UK took on board advice from the CEG as it went along (Q 462).

60. Digital UK said that there is likely to be an underspend on the communications campaign budget of about £55m (out of £200m) over the switchover period (Q 1). This was in part due to the fact that Digital UK "are trying to tighten our communications and make them more efficient the whole time" (Q 10).

Consumer understanding and awareness of switchover

61. The Ofcom/Digital UK tracker survey measures regional readiness for switchover among consumers. The latest survey (progress to Q4 2008) shows that awareness and understanding of switchover is high—at the end of 2008, more than 9 in 10 people were aware of digital switchover. The survey also reports that switchover date announcements have, as expected, driven understanding of regional switchover timings.

62. The Ofcom Consumer Panel[31] found, unsurprisingly, that the technically confident have a much clearer sense of what digital switchover is and what the process entails. Conversely, those who are technically unsupported have low levels of understanding, no-one to ask for help and a lack of knowledge about where to go for information. This group tends to include those who are over 75 or who have physical or cognitive impairments.

Sources of information

63. Consumer Focus drew attention to two problems: most information is provided online, which excludes those without internet access; and there is no single authoritative source of information and advice for consumers (p 119). Digital UK, broadcasters, manufacturers and the Help Scheme all produce helpful guides, but it is difficult for the consumer to establish whether sources are independent of the 'digital industry'.

Retailer preparedness for switchover and the sale of digital equipment

64. Witnesses from the consumer sector thought that consumers were not always given adequate information at the point of purchase. Consumer Focus Scotland research concluded that vulnerable consumers were not well informed or prepared early enough for the process of switchover (p 193). It concluded that retailers were not consistently prepared for switchover and not all were giving consumers adequate information at the point of purchase. However, it acknowledged that the 'digital tick' scheme went some way to

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[30] The Consumer Expert Group is made up of representatives of consumer and disability organisations. It was appointed in 2003, by the then Broadcasting Minister, Lord McIntosh, to advise the Government on consumer issues relating to digital switchover of television.

[31] Going digital: supporting consumers through digital switchover, December 2007.

providing the consumer with independent assurance of quality and compatibility of the device with switchover.

65. Leen Petré thought that inadequate point of sale advice had led to some consumers buying inappropriate equipment, for example equipment that was too complex for an older relative. She said that "people went out and bought digiboxes for their older relatives that were not suitable: that maybe did not have a subtitle button, that maybe had text on the screen that was not in the right colour contrast" (Q 462).

66. Alison Hopkins, Principal Policy Advocate at Consumer Focus added that the CEG advised that retailers need to give further explanation of equipment to vulnerable groups, but this was not happening (Q 471). Both RNIB and Consumer Focus suggested that a set of questions, possibly in the form of a checklist contained in a leaflet, could be provided at the point of sale. The checklist would tell consumers about what digital products can deliver, explain the different features and help them to make better informed decisions (p 137).

67. We heard contrasting views on whether mis-selling of digital television equipment has been a problem. There is some evidence from research conducted by Consumer Focus Wales that consumers may have paid for new equipment and aerials that they did not need. Tim Leech, Chief Executive of W4B, also told us of mis-selling of digital aerials (Q 447). On the other hand, Age Concern said there were many fewer instances of mis-selling of equipment than anticipated (p 116). Sarah Shannon, Regional Adviser (North West) at Age Concern, gave some specific examples, but concluded "generally our feeling on the ground was that it was not as bad as potentially it could have been and as we feared when we set out" (Q 469).

Effectiveness of Digital Outreach

68. The final concern about the communications campaign was the effectiveness of Digital Outreach, the organisation created to raise awareness and understanding of digital switchover for eligible individuals amongst potentially vulnerable consumers and citizens.

69. Consumer Focus explained that Digital Outreach plugs the gap between the Help Scheme and more general community needs. It trains volunteers, provides information to potentially vulnerable people, and organises public meetings, home visits, and switchover help centres. However vulnerable people are not always referred and public awareness is patchy (p 120).

70. Sarah Shannon thought that there had been some duplication of resources with the Help Scheme. "There was a certain amount of overlap in that the same groups would be contacted more than once. There is certainly a need to look at that and to make it more co-ordinated, so that we work more together in raising awareness of the whole issue and not just one bit or the other bit" (Q 458).

71. The communications campaign seems generally to be working well, but improvements might be made in three areas. **First, Digital UK needs to make more information about switchover available in hard copy and through voluntary organisations as well as online. Second, Digital UK should provide more information at the point of sale to help customers choose digital television equipment suitable for their needs. Third, Digital UK should coordinate more effectively with Digital Outreach and the Help Scheme operators. We recommend that Digital UK, the BBC, the electronic retail sector and the voluntary sector should jointly consider these three suggestions.**

The Help Scheme

72. The Help Scheme helps people switch one of their television sets to digital. Those eligible for support include: an individual aged 75 or over; or who is entitled to disability living allowance; attendance allowance; constant attendance allowance; or mobility supplement; or living in a care home for six months or more; or who is registered blind or partially sighted. Seven million people are expected to qualify for the Help Scheme.

Underspend due to much lower take-up than anticipated

73. The Government originally estimated that around 4.7m people would take up the assistance provided by the Help Scheme[32]. The take-up of the Help Scheme has only been 18 per cent of those eligible as opposed to the 65 per cent forecast when the scheme was devised. DSHS told us that this is likely to result in an underspend of £250m–£300m (Q 1). The Government is consulting with the BBC Trust on how the emerging underspend can be redeployed (p 148).

74. Caroline Thomson, Chief Operating Officer of the BBC, offered two reasons for this underspend: people switched to digital of their own accord in much larger numbers than expected; and the price of set-top boxes came down a lot, so people bought them themselves thinking that the Scheme did not offer any additional benefits (Q 378).

75. The BBC said that it is not wise to assume that take up will remain at 18 per cent, or to be categorical about the final level of underspend when less than a fifth of the UK has been through switchover (p 103). Peter White agreed and told us that spend on the Help Scheme could increase: "... we have had a change including care homes, which brings additional cost. We have also just finished research that shows there are some people who are still struggling with switchover that we would like to help, and we think it would be a good thing to help. We think that that is probably an additional five to ten per cent of the eligible people that probably could benefit from our help" (Q 1).

76. Siôn Simon MP thought the underspend on the Help Scheme was the biggest lesson to be learned from television switchover: "I think on the macro level, the most obvious thing to go back to is the extent of the miscalculation of the Help Scheme fund. I think it is much better that it was miscalculated that way round and I think there are very good and understandable reasons, the principal one of which is that digital TV take-up in 2005, when the analysis was done, was 65 per cent and now it is at 90 per cent, and obviously that is a completely different context for the Help Scheme, and procurement came in at £100 million less, which one could never anticipate" (Q 552).

Who bears the cost?

77. Our predecessor Committee, The House of Lords BBC Charter Review Committee[33], argued strongly in its report of March 2006 that the Help scheme should have been financed from general taxation and not the BBC licence fee. The Committee pointed out that those aged over 75 already benefited from a form of targeted help in that they were exempt from paying for their licence fee. The cost of exempting the over 75s is covered by the general taxpayer. The Committee said : " We can see no reason why help for

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32 Preparations for Digital Switchover, Report by the Comptroller and Auditor General, HC 306, 2007–08.

33 The Review of the BBC's Royal Charter 1st report 2005–06 (HL 50)—Paragraph 200.

the over 75s, and other vulnerable viewers, with the costs of switchover should be borne by the BBC when the Government already accepts that it is responsible for bearing the costs of the licence fee for over 75s".

78. The Government rejected this proposal and similar arguments used by others in the consultation on the BBC's Charter. The result is that the money has been raised by a regressive tax—which is what the licence fee is. In addition it is estimated that over £300m will have been raised through the licence fee above what is necessary for the Help Scheme and the communications strategy. **We strongly recommend that any scheme for digital radio similar to the Digital Swichover Help Scheme should be funded through general taxation.**

Overall progress of the Help Scheme

79. On the success of the Scheme generally, the BBC said that it had operated very successfully since its inception, and that installations of digital equipment had been completed with a very high degree of customer satisfaction—93.8 per cent of customers rated their willingness to recommend the scheme at over 8 out of 10 (p 102).

80. Leen Petré told us that the shape of the Help Scheme was the right one, and that the three components of it had worked well: the provision of user-friendly equipment; the support with installation of equipment; and training in the use of the equipment as well as ongoing telephone support. She said that the quarter of a million people that the Help Scheme has helped would not have been able to make the switchover without it (Q 448).

The Help Scheme's publicity

81. Nevertheless, we received some criticism of the working of the Scheme. Sarah Shannon said that, because the scheme and what it included were not publicised effectively, friends or family were buying equipment for relatives who could have qualified for the Help Scheme. The RNIB argued that it would be beneficial to advertise the Help Scheme nationally rather than by targeted mailshots (p 125). The CEG agreed that the Help Scheme should be advertised nationally but had received no response from Digital UK to its recommendation on this issue (Q 466). **We recommend that Digital UK should review what improvements can be made in publicising the Help Scheme.**

Inclusion of aftercare as part of the scheme

82. The consumer groups had different appreciations of the aftercare offered by the Help Scheme. Consumer Focus said the Help Scheme was not designed to deal with post-installation problems, which left a gap in support. It also did not extend to day-to-day problems such as re-tuning, re-setting timers, which are a particular challenge to deaf or blind people (p 119). Sarah Shannon said that there was aftercare but that it only lasted for one month after switchover (Q 451). This was also W4B's understanding of the aftercare support provided by the Help Scheme (p 121). These misconceptions demonstrate that some of the details of the aftercare support within the Help Scheme have not been made clear. For the BBC said that, in fact, the Help Scheme provided free aftercare for a year after installation (p 102). The Help Scheme operator, DSHS, confirmed this (Q 52). **We recommend that the details of the Help Scheme's aftercare are communicated clearly by the Digital Switchover Help Scheme to relevant voluntary sector organisations as well as to Help Scheme beneficiaries.**

CHAPTER 4: WHERE HAVE WE REACHED ON DIGITAL RADIO?

83. In this chapter we consider the current state of UK radio, the case for switchover[34] to digital radio, and the views of the radio industry and the consumer on radio switchover.

The state of the UK radio sector

84. Despite the growth of alternative media, radio remains a highly-valued medium with particular attractions. Tim Davie, Director of Audio and Music for the BBC, said that its in-built advantages were that it was live, mobile and allowed its listeners to do other things at the same time—making it a companion (Q 358). In 2009, around 90 per cent of the population[35] listened to the radio every week, for an average of 22 hours. The BBC dominates radio listening in the UK. Tim Davie said that the BBC's share of the radio audience was steady at between 54 and 56 per cent, with two thirds of the population spending more than 16 hours a week listening to the BBC, an achievement which he attributed to the quality of the BBC's output (Q 354).

85. According to Ofcom's latest research, 63 per cent of radio listening takes place in the home, whilst in-car listening accounts for 18 per cent of all listening[36]. Almost all in-car listening is still on analogue FM as the vast majority of cars in the UK have analogue only radios (see Chapter 5).

86. Between 2003 and 2008, total hours of radio listening has fallen among most age groups, with all adults' (15+) listening time down by 5 per cent. This fall in total hours was more pronounced among younger listeners aged between 15 and 34, whose listening was down by around 12 per cent. One of the main reasons may be "the iPod effect": younger listeners prefer their own choice of music on an MP3 player rather than what is available on the radio[37]. Nevertheless, radio listening by the over-55s remains particularly strong. They make up a disproportionate number of BBC radio listeners. They accounted for 70 per cent of hours on BBC local/national radio and 35 per cent of national commercial radio listening[38].

87. In 2009, 66 per cent of all radio listening was on analogue, 21 per cent on digital and 13 per cent unspecified. Of digital listening, the majority (13 per cent) was on DAB, with the remainder on other platforms, including digital television and the internet[39]. In June 2009, the Government said that digital listening was unlikely to reach 50 per cent of all listening by 2013 by organic growth: "a concerted drive"[40] would be required to achieve this. Although the figure for unspecified listening complicates matters, it is likely that the digital share of total listening in 2009 was below the 26 per cent required if

34 As mentioned in chapter two, the move to digital radio is variously described as switchover, migration and upgrade. We have used the word switchover in this report. When we refer specifically to the Government's radio switchover programme, we have used its full name, Digital Radio Upgrade, or Upgrade.

35 90 per cent of the population over five years old.

36 Ofcom Communications Market Report, 2009, p 193.

37 Enders Analysis, October 2009.

38 Ofcom Communications Market Report, 2009, p.183–184.

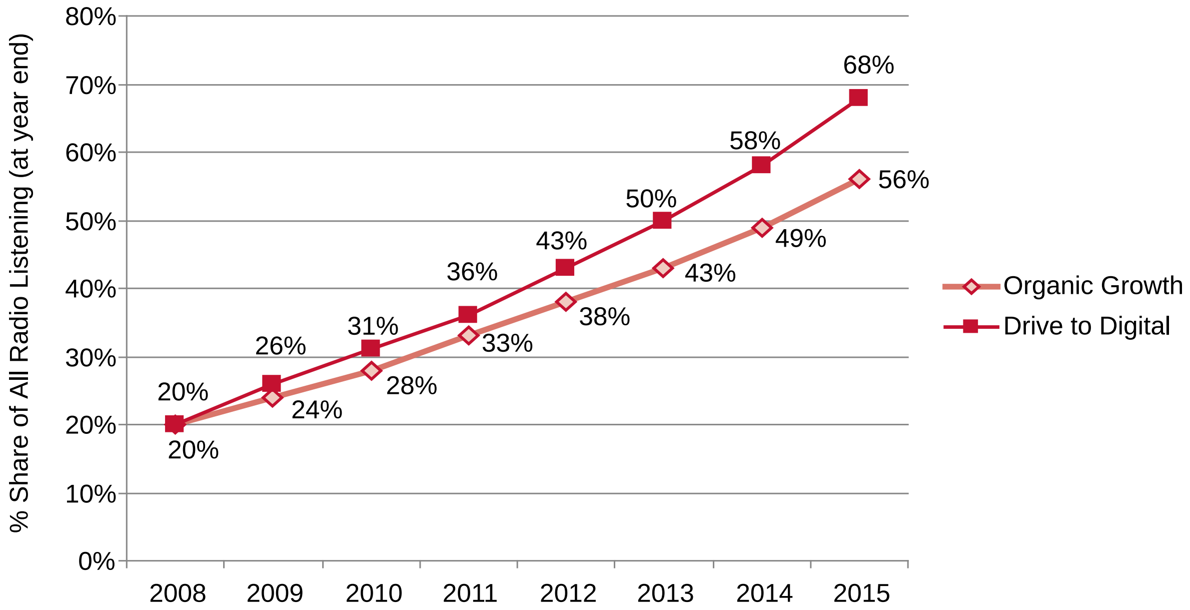
39 Figures, from RAJAR / Ipsos MORI / RSMB, are reproduced in Ofcom written evidence (page 15).

40 Digital Britain, June 2009, p 93.

the Government's "drive to digital" projection was to be on track to meet the 50 per cent target by 2013. The projections are shown in Figure 3.

FIGURE 3

Projected total digital share of listening



Source: Digital Britain

88. An analysis of digital versus analogue radios sold in 2009 shows that, in the category of standalone radios (also known as 'kitchen' radios) digital sets accounted for 63 per cent of all sales (p 32–33). Whilst this statistic for 'kitchen' radios suggests a major shift in listening habits, Grant Goddard, an independent radio analyst, has pointed out that, if other types of radio are taken into account—for example, portable handheld radios, clock radios, mobile phones and hi-fi systems—the picture is very different. In 2009, sales of digital radios made up only 28 per cent of total radio sales (p 94 and blog[41]). The sales figures for digital radios include radios which have both digital and analogue tuners. Most DAB radios now on sale incorporate an FM tuner.

The radio economy

89. In economic terms, radio is relatively small having a total sector value of £1.1bn a year, compared to £11.2bn for television[42]. BBC Radio accounts for only 17 per cent of the licence fee but was described by Caroline Thomson, Chief Operating Officer of the BBC, as "the jewel in the crown of the BBC", carrying good, distinctive content to a variety of audiences (Q 354). In the last financial year, the BBC spent £588m directly on radio services, of which £463m was on content.

90. Commercial radio, on the other hand, faces serious challenges. RadioCentre, the industry body for commercial radio, summarised these as "a difficult financial situation due to a combination of structural change in the industry ... compounded by the current advertising recession" (p 211). The structural

41 Grant Goddard blog 3 March 2010. http://grantgoddardradioblog.blogspot.com/

42 Ofcom Communications Market Report, 2009, p 16; these figures are for total radio and television revenue, including the BBC.

changes arise from "the growth of on-line advertising at the expense of traditional media; consistently high costs due to regulation; and the need to make many millions of pounds worth of investment in dual transmission costs (for both FM and digital), with little if any additional revenue generated as a result" (p 211).

91. These wider problems are reflected in listening and revenue figures. Andrew Harrison, Chief Executive of RadioCentre told us that the total revenue of the commercial radio sector in 2009 will be about £500m, down from a peak of £620m [in 2004] (QQ 262–3). Table 1 shows that commercial listening share has been falling steadily, whilst the number of commercial radio stations has been rising over the same period.

TABLE 1

Number of radio station licences awarded and radio audience share

UK Radio Industry	2002	2003	2004	2005	2006	2007	2008
Number of analogue radio station licences awarded*	315	322	326	342	364	369	371
Commercial share of listening	45.5%	45.2%	44.6%	43.5%	43.1%	42.8%	41.1%
BBC share of listening	52.6%	52.8%	55.5%	54.5%	54.7%	55%	55.7%

Source: Ofcom Communications Market Reports 2005–2009

** Most of the licences were awarded to local and regional commercial stations*

Note: Commercial share of listening stood at its lowest in 2008 since 1993, and down from its peak in 1998 at 51 per cent. In 1993, there were only 126 commercial stations whereas now there are over 300 stations. (Source: Enders Analysis, August 2009).

92. RadioCentre also notes that small local stations have been hardest hit by the combination of high fixed costs, structural change and recession (p 211). John Myers, who conducted a review of localness in radio for the Department for Culture, Media and Sport[43], told us that 70 to 80 per cent of radio stations broadcasting to a population of less than 700,000 potential listeners were unprofitable or making less than £100,000 a year. He went on to say that "too many radio stations were licensed in areas that were never going to be successful and profitable and that caused problems ... In summary, the commercial radio sector ... is in crisis" (Q 307).

93. Tim Gardam, in an independent review of digital radio in 2004, commented that the decision of commercial radio to go digital was based more on "visionary conviction than on obvious commercial calculation" since "it was by no means obvious that the investment in digital radio would successfully establish the platform to the point at which consumer demand would justify an expansion of radio stations"[44]. This remains the case. Although digital broadcasting was successfully launched and digital listening is increasing, the commercial radio sector has had difficulty in making digital radio economically viable. Grant Goddard said that the majority of digital-only radio stations have closed, due to lack of listening and low revenues. "After

43 An Independent Review of the Rules Governing Local Content on Commercial Radio, April 2009.

44 Tim Gardam: Independent Review of the BBC's Digital Radio Services, 2004, p 15.

ten years of DAB in the UK, no digital radio station yet generates an operating profit" (p 75).

94. A further problem is transmission costs. Ofcom's financial analysis suggests that, compared to television, the radio industry has high operating costs relative to revenue. A relatively high proportion of these costs—around 10 per cent—are transmission costs (p 41). This has been exacerbated by dual transmission[45]- broadcasting in both analogue and digital - which gives commercial radio an early interest in switching to digital only. RadioCentre told us that total transmission costs have risen from £50m a year, five years ago to £70m, of which £40m is for analogue transmission (FM and AM), £20m for DAB transmission and £10m for other forms of transmission, such as DTT and satellite. They say that "transmission costs have begun to exceed annual industry profitability" (p 213). This was confirmed by Michael Betton, Chief Executive of Lincs FM Group, which holds nine licences in the Midlands, broadcasting in analogue and digital, who told us that moving to one transmission platform would shift his company from loss to profit (Q 270).

Community radio

95. A further tier in the UK radio sector, which has emerged in the last five years, is local community radio, broadcasting on FM on a non-profit making basis. According to Jaqui Devereux, Director of the Community Media Association, about 160 community radio stations are currently broadcasting, with up to 40 more holding licences and yet to launch (Q 661). There are no official audience figures, but Ofcom estimates that community radio broadcasts can be received by around 15m listeners. Jaqui Devereux told us that their audience may be ten per cent of this figure, 1.5m (Q 672).

96. Jaqui Devereux went on to say that community radio sees itself as part of the voluntary sector, with more than half of its funding coming from public body funding, including, local authorities, service level agreements with public authorities and the DCMS Community Radio fund. Advertising, sponsorship, and donations account for another third of funding. This revenue is supplemented by voluntary staffing amounting to about 150,000 hours a month (Q 663). She said that, because it was competing for public funding, community radio's finances were always under pressure. She said that, if the BBC were to cease broadcasting its local services on FM, and therefore cease to maintain the local FM infrastructure, this could lead to financial difficulties for community radio.

The case for switchover to digital radio

97. The Government acknowledges that analogue radio in the UK is "a medium which is highly valued by listeners today"[46]. But it went on to say that if radio is to compete with other media, it must have greater flexibility to grow, innovate and engage with its audience; and that, compared to analogue radio, digital radio offers possibilities to grow through the delivery of new content and functionality[47]. The case for switchover put to us consisted of the following main arguments.

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45 Dual transmission is also known as simulcasting or dual illumination.

46 Digital Britain, June 2009, p 92.

47 Ibid, p 92.

(i) Increased choice and capability

Ford Ennals, Chief Executive of Digital Radio UK, the industry body formed in December 2009 to promote digital radio in the UK, said that a digital future for radio would bring about "innovation, competition and choice" (Q 78) and that those who have digital radios "love the listening experience and the functionality" (Q 79). Siôn Simon, then Minister of State for Creative Industries, also mentioned the practical and technical advantages of "extra functionality and interactivity" of digital radio (Q 484) and "more stations more clearly defined" (Q 517). The extra functionality includes scrolling text, one-to-one traffic information and "listen again"[48].

RadioCentre also argued that the listening public will benefit from the increase in station choice. Although Ofcom's latest research suggests that customer satisfaction with choice of radio stations is high and rising[49], RadioCentre said that this argument was deployed by incumbent operators in television prior to the launch of additional channels and that a reversion to three television channels would be inconceivable: "we do not believe that radio will be any different" (p 210).

(ii) Ageing infrastructure

Siôn Simon MP told us that the FM infrastructure is ageing and the likelihood is that it would not be economic to renew it. "What you would be faced with ... would be a piecemeal disintegration of the FM infrastructure in a disorderly way and an inevitable move by the market to digital. What the Government is, therefore, doing is trying to help manage this move in an orderly and efficient way" (Q 484). Arqiva told us that "while we would not agree that analogue radio infrastructure is 'decaying', it is true that some of it will soon require significant investment" (p 186). Digital Britain stated that the analogue infrastructure would require up to £200m of capital expenditure over the next 20 years to maintain a full national network[50].

(iii) Radio industry support

The radio industry generally supports the policy of a move to digital as the main delivery platform. The industry body, RadioCentre, makes the case strongly. Andrew Harrison, Chief Executive, told us that the "whole industry is broadly aligned on the direction of ... travel. It is not just RadioCentre and its members, which is the majority of commercial radio; it is also the BBC and also community radio. All of us are keen to get radio to have its place in a digital future and to interact with consumers on that platform as all of competitive media, be that television, music and so on, which are all distributed digitally" (Q 274).

The BBC, in its response to the Digital Britain interim report[51], supported the Government's plan for Digital Radio Upgrade. It argued that digital radio offered the radio industry a proven means of improving the audience experience and increasing the breadth and quality of radio listening, citing wider choice of stations, improved sound quality, ease of tuning, an

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48 Ibid, p 92.

49 Ofcom Communications Market Report, August 2009. According to Ofcom research in Q1 2009, 61 per cent of listeners were very satisfied and 30 per cent fairly satisfied with their choice of radio stations. The total of 91 per cent satisfaction was up from 88 per cent the previous year.

50 Digital Britain, June 2009, p 92.

51 Digital Britain: the BBC's role; The BBC Executive's response to Digital Britain—the interim report, March 2009, p 35.

Electronic Service Guide and live text services. "The BBC believes that digital radio adoption is therefore critical for the medium to continue to play its central role in the social and cultural life of the UK"[52]. The BBC also supported the Government's recognition of the importance of new and innovative content in bringing consumers to digital radio and said it would continue to explore ways of doing so. Its main concern was—and remains—the funding of build-out of the multiplex system to create the required digital coverage. This is dealt with in the next chapter.

(iv) Consumer investment in digital

A further argument advanced in favour of switchover is the investment in 10m DAB radios made by British consumers. In 2009, around one third of UK households owned a DAB radio at home[53]. Since the average retail price of a DAB radio was as high as £85 in early 2009[54], this represents an investment of over £800m.

Digital Radio UK also pointed to evidence of consumer satisfaction among those who have bought digital radios. In a poll of 7,000 DAB radio owners in July 2009, 76 per cent thought the sound quality was as good, or better, than FM and 79 per cent thought the choice of stations as good or better (p 16). The recent announcement by the BBC, proposing closure of its digital-only station, 6 Music, provoked an on-line campaign to save the station[55].

Concerns of the sceptics

98. Against the views of the proponents of switchover to digital radio, a number of counter-arguments and concerns have been expressed.

(i) Public benefits

From the perspective of the general public, the case for switchover to digital radio is much less clear than for television. Although there are problems of reception quality in some areas, there is a high degree of listener satisfaction with the FM and AM services currently available. There is no polling evidence on whether consumers wish to receive national radio services in digital only. Ofcom's latest research found 94 per cent satisfaction among radio listeners with the radio content they receive[56]. We received written submissions to this inquiry from over 120 members of the public, many of whom are unable to see how a switchover of the national radio channels to digital only would benefit listeners. This included a number who already had bought and listened to digital radios and think that reception, particularly of music channels, is better on FM.

Unlike television, the spectrum which will be released by the majority of stations ceasing to broadcast in analogue has little alternative use or value.

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52 Ibid

53 Ofcom Communications Market Report, 2009, p 150.

54 Ibid, p.190.

55 The BBC's proposal appeared in the press the week before its official publication on 2 March. According to the Guardian Media of 3 March, there were already over 100,000 signatories to the on-line petition. The Guardian Media of 12 March reported that the BBC had received nearly 8,000 complaints about the proposed closure.

56 Ofcom Communications Market Report, August 2009. According to Ofcom research in Q1 2009, 53 per cent of listeners were very satisfied and 41 per cent were fairly satisfied with the content of what they listened to on the radio.

Siôn Simon MP confirmed that the Government was not aware of "anybody being likely to want [the released spectrum] and certainly to want to pay anything in order to use it for anything else" (Q 508). Grant Goddard explained that, "... there is no value to the Treasury of the FM waveband. Unlike the analogue television spectrum, which is going to be re-used for other things, there is no other purpose for FM; it is ideally suited for radio" (Q 338).

(ii) Cost of replacement and conversion

The investment by consumers in digital radios has to be balanced against the accumulated investment in analogue radios, much of which would be lost by switchover to digital radio. It is much more difficult to assess the residual economic value of these, since estimates of the existing stock of analogue radios vary considerably. Siôn Simon MP thought that there might be 50m analogue sets in use (Q 516). Although some estimates put the total number of analogue radios in existence as high as 100m. Unlike television, most of these sets are likely to be disposed of after switchover.

Many of the comments we received focused on the cost of throwing away FM radios and buying DAB radios, and the outdated technology and poor reception quality of DAB radios. A letter from a member of the public, Richard Hellawell, covered both points: "Why should all FM radio owners incur the expense of switching to DAB radios only to endure poorer quality"[57]. Consumer concerns are beginning to receive press coverage, for example a recent article in the Daily Mirror entitled "Why DO we have to throw away our old radios in 2015?"[58]

A particular problem is radios in vehicles, almost all of which are analogue at present. Although the motor manufacturers are working towards putting digital radios in all new vehicles, they expect that 20m older vehicles still in service at time of digital switchover will have to have their radios converted to receive digital broadcasts (Q 564). This will involve inconvenience and cost for all owners of older cars.

(iii) Which digital standard?

A further complication in assessing the case for digital radio is the continuing debate over the digital standard that the UK should be adopting. Because the UK was one of the earliest adopters of digital radio, it launched mainstream digital broadcasting, using the then-current DAB standard. Other digital standards within the same group as DAB (known as the 'Eureka 147' family), include DAB+ and DMB (Digital Multimedia Broadcasting), which has video/multimedia capabilities. The recently-introduced DAB+ uses the same amount of spectrum as DAB, but the coding techniques used for DAB+ are twice as efficient. DAB+ can therefore offer more services in the same amount of spectrum space or better sound quality for the same range of services.

Some commentators and members of the public continue to suggest that DAB is out-of-date technology and that the UK should opt for DAB+. Since DAB+ offers more capacity on the multiplex, it could permit more

[57] Letters received from members of the public are not published in this report but are available to read on the Communications Committee page of the Parliament website http://www.parliament.uk/parliamentary_committees/communications/wehlcommunications.cfm.

[58] Daily Mirror, 1 March 2010, p10.

commercial stations to migrate onto digital: a point made by William Rogers, Chief Executive of UKRD[59] (Q 348). The better sound quality could meet the concerns of those who consider that current digital broadcasts on DAB have failed to produce high sound quality. Notwithstanding the evidence of satisfaction with DAB sound quality mentioned in paragraph 96(iv), we have received letters from members of the public, arguing that DAB sound quality is inferior to FM, particularly for music broadcasts[60]. In the trade-off between choice of stations and quality of sound, broadcasters have so far prioritised greater station choice over fewer stations with higher quality sound.

(iv) The alternative industry view

Two members of RadioCentre, UTV Radio and UKRD, have recently resigned their membership because of concerns over digital radio policy. Scott Taunton, Chief Executive of UTV Radio, told us that, while he thought digital radio had a big part to play in the future of radio, he did not "understand the logic of seeking to turn off or to switch over the bulk of services from Medium Wave and FM" (Q 324). He said that the Government's policy would create a two tier system, which would "leave local radio behind to a large extent, and for the bulk of consumers the benefits are not as perhaps some of us are led to believe. The average consumer in the UK has 14 radio services available to them currently" (Q 325). William Rogers told us that he considered the digital switchover strategy to be "ill-considered, ill-thought through, poorly executed; the wrong platform has been chosen; it will restrict choice and damage radio stations at the smaller end and completely and radically change the nature of local commercial radio as to how it services its community ... To us, that is something that is not necessary and indeed we do not believe there is any public demand for it" (Q 311).

(v) A disincentive to localness

The Digital Economy Bill[61] provides for the changes to the digital infrastructure necessary to facilitate the delivery of the Digital Radio Upgrade programme, and empowers Ofcom to approve areas within which local analogue stations may co-locate to share premises and administrative costs. Without these changes some stations may be forced to close as their business models will not be able to adapt to broadcasting on digital. John Myers told us that these changes are necessary, but that localness must be preserved (Q 313).

However, localness may be threatened by digital broadcasting. Local radio stations broadcasting, via a local digital multiplex, could reach a larger area and number of listeners than by broadcasting on FM. Jaqui Devereux described the effect: "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" (Q 673). This wider reach offers a potentially greater listenership to local stations, but it

59 UKRD, which wholly owns and operates 15 local commercial radio stations, is the fourth largest radio group in the UK.

60 Letters received from members of the public are not published in this report but are available to read on the Communications Committee page of the Parliament website http://www.parliament.uk/parliamentary_committees/communications/wehlcommunications.cfm

61 Digital Economy Bill, 19 November 2009, section 34.

also encourages stations to reduce the amount of local information they carry, in order to avoid causing their new, wider audience to switch off.

The Government plans to leave ultra-local and community radio stations on FM at present, so the issue has not yet become critical. But it will be an important factor to consider if it is planned to close the FM broadcasting network. Although in favour of the move to digital, Jacqui Devereux said that the wider reach of digital made it difficult to maintain accountability to the local community. She would have liked to see some guarantee for the long term future of FM in the Digital Economy Bill (Q 673, Q 670).

(vi) Environmental concerns

Switchover to digital radio will potentially have an adverse environmental impact through disposal of a large number of analogue radios and through greater power consumption of digital equipment. However, the impact of radio disposal will be reduced through the operation of the Waste Electrical and Electronic Equipment (WEEE) Directive, which requires householders to ensure that WEEE waste, which would include discarded radios, are passed to a registered waste carrier or other approved person. Retailers are required to accept WEEE waste on a one-for-one basis (which is to say that when one radio is purchased one old radio must be accepted for recycling) but we heard from the electronic retailers association, RETRA, that retailers would accept more than one-for-one (Q 611).

The first digital radios consumed significantly more power than their analogue equivalents. However, we were assured by Laurence Harrison, Director of Consumer Electronics at Intellect, the body representing the UK technology sector, that the difference is now only marginal (about one per cent) and that the industry is confident of further efficiency gains (Q 588). The Government will be conducting research to examine the impact of disposal and recycling of old radios, as well as energy consumption of digital receivers as opposed to their analogue equivalent. Siôn Simon MP was not able to give us any indications as to the emerging outcomes of this research (Q 548).

Assessing the arguments

99. We had expected that these arguments would have been closely analysed and subjected to a rigorous cost benefit analysis before now. However, the only cost benefit analysis of digital radio switchover so far carried out[62] suggested that a balance of benefit would be achieved only after 2026. Siôn Simon MP told us that the study was commissioned on the basis of the recommendations of the Digital Radio Working Group, made in December 2008, which are not exactly the same as those in the final policy, as set out in Digital Britain, so the assumptions were not strictly comparable (Q 486). It is only as a result of our enquiries that this analysis has recently been published, albeit with some of the key financial figures excluded. **We strongly regret that the cost benefit analysis carried out by PriceWaterhouseCoopers was not published at the time it was delivered to Ofcom and the Department for Culture Media and Sport in February 2009.**

[62] Cost Benefit Analysis of Digital Radio Migration: Report prepared for Ofcom by PriceWaterhouseCoopers, 6 February 2009.

100. The question now is whether a fresh analysis should be carried out? The Government promised in Digital Britain that a Full Impact Assessment, including a new Cost Benefit Analysis of Digital Radio, would be conducted. Peter Davies, Director of Radio Policy and Broadcast Licensing at Ofcom, told us that the Impact Assessment had not yet been requested (Q 228). Although the Government is committed to its Digital Radio Upgrade programme, a new cost benefit analysis could provide valuable information to inform Government investment decisions and to gauge accurately the impact on consumers. **We recommend that the full impact assessment, including the cost benefit analysis of digital radio, be commissioned by the Government and carried out as soon as practicable and that the results be published.**

Digital radio elsewhere

101. There is no global consensus on radio broadcasting standards: some countries are remaining with analogue radio, some adhere to DAB, and others have dropped DAB in favour of later standards such as DAB+ and DMB. At the time of writing, it appears that most European countries are committed to or will commit to the same family of digital radio standards—Eureka 147. A multi-standard, Eureka 147, chip therefore will also ensure the interoperability of digital radios across these European countries, including the UK. France will roll out digital radio services using DMB from 2010. The French government is supporting the rapid roll-out of digital radio with a law requiring that electronic products containing a radio must include a digital compatible receiver. All products including cars must have digital radio as standard before 2014. Germany will relaunch its digital services in 2010. The 16 German regional governments have agreed to start the roll out of nationwide digital radio services, using DAB+, at the beginning of 2010. The USA and Japan have opted for standards outside the Eureka 147 family.

Radio switchover: should we go ahead?

102. The case for switchover of the UK's main radio services to digital is not widely known outside of the Government and the radio industry. For consumers, it does not have the clear attractions of television switchover. Given the parlous financial state of commercial radio, we are not convinced that digital switchover will necessarily give the consumer a wider choice of radio stations. Indeed, at the local level, it seems that some consolidation of existing stations is likely[63]. Neither is it clear that the consumer wants a wider choice of stations. We do not accept the argument, from the example of television, that there is pent-up demand for more choice. The success of cable and satellite television channels, prior to digital switchover, showed there to be a demand for more television choice. There is no such evidence for radio. The gradual rate of take-up of digital radio services does not suggest that consumers are enticed by the reception quality, extra functionality or the digital-only content so far available.

103. Nevertheless, we have to accept that the path to digital has already been taken. The Government say that, with competing media moving to digital, it makes no sense for radio to remain an island of analogue. John Myers added that "The whole world is going digital. To assume that radio remains in an

[63] Digital Britain, June 2009, p.101.

analogue world I do not think is viable" (Q 313). The Digital Economy Bill—broadly accepted by all political parties—is on the verge of becoming an Act, subject to negotiations in the run-up to the General Election. The radio industry has already invested on the basis of the guidance they have been given that digital radio switchover is Government policy. The motor manufacturers are planning to go over entirely to digital radios as standard by 2013. Consumers have already invested heavily in DAB radios. More generally, we accept that, to go back on this policy now would risk turning confusion into an utter shambles. However, if we are to go ahead, certain requirements must be met. The next chapter sets out what these should be.

CHAPTER 5: DIGITAL RADIO: WHAT NEEDS TO BE DONE?

104. If the UK is to go ahead with digital switchover, there needs to be the utmost clarity as to what will happen, in order that the consumer and the industry can proceed with confidence. This chapter looks at the main areas where we think that clarity is required or where the Government's policy needs to be more widely disseminated.

Digital coverage

National coverage

105. First and foremost, the Government must ensure that digital coverage is comparable to that of FM. Improved coverage is required for the achievement of all other objectives. Improved coverage will encourage more digital listening, more purchases of digital receivers, greater advertising revenues generated by digital stations, and more investment in digital content. Although comparability of coverage including coverage of major roads is one of the two criteria set down by the Government, the position is anything but clear. Indeed, it is claimed that the 98.5 per cent coverage, which FM currently provides, is simply not achievable by 2015—the year set out in Digital Britain (p 79).

106. As explained in Chapter 2, there are two national digital radio multiplexes. The BBC's national multiplex currently covers around 85 per cent of the population, and the BBC confirmed that transmitters are now being built which will increase this to 90 per cent by 2011 (p 100). It needs to build around 140 transmitters to achieve this five per cent increase—compared to 90 transmitters which achieved the first 85 per cent (p 100).

107. The BBC further estimates that, "to extend the network from 90 per cent population coverage to FM equivalence would require several hundred additional transmitters, and might take approximately seven years to complete"[64]. If this estimate is accurate, the timing of build-out is a major issue. It is difficult to see how it can be reconciled with a switchover date of 2015. Caroline Thomson, Chief Operating Officer of the BBC told us that covering this final segment "costs an awful lot of extra money" (Q 365). She said it would almost double what the BBC spends on digital transmission (Q 366). The Government has subsequently told us that the extension of BBC national coverage from 90 to 98.5 per cent will cost about an additional £10m per year (p 162). The BBC has noted that this is "broadly consistent with our own expectations" (p 114). Caroline Thomson said that the BBC would carry out this extension "subject to a licence fee settlement that enabled us to do it" (Q 369). This was disputed by Siôn Simon MP who indicated that the BBC would be able to "absorb that within its current budgets" (Q 495). **Given the importance for the Government's plans for digital switchover of universal reception of the BBC's national stations, it is essential that a firm and unambiguous plan and funding for the completion of build-out of the BBC's national multiplex is put in place as soon as possible.**

108. The commercial national multiplex, Digital One, currently reaches about 87 per cent of the population. Digital Britain says that "the national

[64] Digital Britain: the BBC's role; the BBC Executive's response to Digital Britain—the interim report, p 37.

commercial multiplex already matches Classic FM"[65]—and, by implication, meets the criterion of comparable FM coverage. Ideally, this coverage would be greater: the Digital Radio Working Group proposed that it should be extended to 94 per cent. **While we acknowledge that the current financial problems of commercial radio make further build-out of the national commercial multiplex difficult at this time, we urge the Government to ensure that, in due course, it is extended in line with the Digital Radio Working Group's proposal.**

Regional and local coverage

109. Part of the Government's own criterion for Digital Radio Upgrade is that local DAB coverage must reach 90 per cent of the population—currently it reaches around 75 per cent of the population. There are six regional and forty local commercial multiplexes currently in operation. The Government is facilitating mergers and extensions of existing multiplexes into currently un-served areas and allowing regional multiplexes to consolidate and extend to form a second national commercial multiplex[66].

110. The BBC coverage of its nations and local services depends on the commercial multiplex operator in each area. "The BBC has taken up the capacity reserved for it in every instance, but the lack of a licenced multiplex in some areas of the country (Cumbria, Suffolk, and the Channel Islands in particular) means that currently the BBC Local Radio stations for those area have no route to digital carriage" (p 100). Many local commercial stations only provide coverage to urban areas, and not to more sparsely populated areas further afield. Digital Britain therefore calls for partnerships between the BBC and commercial multiplex operators. "In areas where the BBC's need to deliver universal access is not matched by the economic realities of the local commercial market, the BBC will need to bear a significant proportion of the costs"[67]. Siôn Simon MP told us that the Government expects the extension of coverage to FM levels to cost the BBC between £10m and £20m a year and that this amount will be absorbed within the BBC's current budgets (Q 493–495).

111. The BBC had expressed concern about the financial outlook for many of the local and regional commercial radio multiplexes as well as the significant misalignment of their total survey areas with those of BBC services. The BBC called for accelerated negotiations on the future of local and regional commercial multiplexes[68]. The BBC has confirmed to us that it has not yet reached an agreement with commercial radio on how local digital coverage will be extended (p 114). **We recommend that, as a matter of urgency, the Government, the BBC and commercial radio agree a plan and allocation of funding responsibility for local multiplex build-out in order that local DAB coverage can be raised to 90 per cent.**

The future of analogue radio

112. The Government needs to offer greater clarity on the continuance of broadcasting on FM. Siôn Simon MP told us that the transmission

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65 Digital Britain, June 2009, p 97.

66 Ibid, p 97.

67 Ibid, p 97.

68 Digital Britain: the BBC's role; the BBC Executive's response to Digital Britain—the interim report, p 37.

infrastructure of FM is ageing and that it is unlikely to be economic to renew it (Q 484). He said that government policy was to avoid "piecemeal disintegration of the FM infrastructure in a disorderly way" (Q 484). This was confirmed by Arqiva, who have a monopoly over supply of the DAB network (p 186). The Government said last year that capital investment of up to £200m would be needed to maintain a full national FM network over the next 20 years[69]. When pressed on how long the FM network might be available for broadcasting, Siôn Simon MP was not able to give assurances. Since ultra-local and community radio are to continue to broadcast on FM for the foreseeable future (and other services until 2015, or longer if the Upgrade criteria are not met), **we recommend that the Government commissions and urgently publishes a report on the state of the FM network, what investment might be required to keep the network functioning and where any maintenance costs would fall.**

113. There is also uncertainty about the Government's longer term intentions for the FM network. The Government has said that its intention has always been "that the ultra-local services which remain on FM after the Digital Radio Upgrade should only do so temporarily"[70] Yet Siôn Simon MP thought that radio services would remain on FM well beyond 2020 (Q 507). Lord Davies of Oldham said, on 3 March 2010 during the debate on the Digital Economy Bill, that "for the foreseeable future, the Government will consider FM radio to be part of the broadcasting firmament"[71].

114. There is further uncertainty about the long term part to be played by AM services. What will happen to AM community and ultra-local services? Will Radio 4 on Long Wave at 198 kHz still have a role in the UK's emergency communication systems? If AM analogue services are to continue then new digital radio sets should be able to receive them. It is important that the Government makes clear its plans for AM because the effectiveness of the AM Long Wave medium for emergency communications depends on listeners having AM-capable receivers.

115. Jaqui Devereux, Director of the Community Media Association made clear that, for community radio, analogue radio offers clear benefits—"it is cheap to produce, it is cheap to transmit" (Q 658) and it is local (Q 673)—and said that she would like the Government to say that FM will stay switched on for the next 30 years, or whatever it is, for the long term future" (Q 656). Greater clarity would help the radio industry to plan its investment. It is also important to consumers who are considering purchasing or disposing of radios. In particular, the Government should clarify whether or not it intends that ultra-local and community radio should migrate onto digital some time after the Upgrade date. **We urge the Government to clarify its longer term policy on the use of FM and AM for radio broadcasting.**

116. A related point is the concern of local radio stations that digital switchover will create a two tier structure in radio, with the FM tier being, in effect, left behind. This concern could be addressed by developing a single electronic programme guide[72] or unified channel list, capable of carrying both digital

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69 Digital Britain, June 2009, p 92.

70 Ibid, p 95.

71 House of Lords Official Report, 3 March 2010, column 1517.

72 An electronic programme guide allows the listener see what programme is on now and next, and to search programmes.

and analogue stations. This would remove any suggestion of discrimination against FM, since the listener would not be aware which platform was the source of particular programmes. As long as it was simple to use, it might also help disadvantaged listeners, who could have difficulties knowing where to access particular services.

117. The Government has committed to ensuring the development of such a guide which would list all available DAB and FM stations in alphabetical order[73]. Laurence Harrison, Director of Consumer Electronics at Intellect told us that discussions were taking place, but were still at the technical stage (Q 607). He also confirmed that the industry was liaising with the RNIB and other organisations about additional functionality on digital radios for disadvantaged groups (Q 608). **We recommend that the Government seeks assurances from the electronics industry on when a single electronic programme guide will be available. The Government should include these assurances in the advice it issues to consumers on digital switchover.**

Car radios

118. A major question is what will happen to car radios. In-car listening accounts for about 20 per cent of all radio listening hours. However, of the 30m vehicles on the road, less than one per cent of them are currently equipped to receive DAB through a compatible digital receiver. This is one of the major areas of uncertainty (p 80).

119. It is true that there is already a number of car models that have digital radios as a standard fitting. RadioCentre pointed out that Ford now fits them as standard on all medium to top range cars and fifteen vehicle manufacturers from Audi to VW fit DAB as either standard or an optional upgrade for around £55 (p 215). The Society of Motor Manufacturers and Traders (SMMT) said that, given that the lead time for development of new vehicles is about four years, incorporating digital radios into new models by 2013 will be a challenge, but achievable.

120. Laurence Harrison added that a key consideration in terms of incorporating digital radios as standard was the ability to build for at least a European market. "What we are seeing now is ... many more European states committing to ... the family of digital radio standards and the introduction of the multi-standard chip set which will enable economies of scale and also manufacturers to have the confidence ... that it will be a viable option across Europe" (Q 571). It will also be more attractive to consumers, since the digital radio in their vehicle will work when they take it to mainland Europe. The SMMT have told us that the multi-standard chip is the preferred option for vehicle manufacturers and that, as the cost comes down, it will become more viable for manufacturers to use (p 185). **We recommend that the Government should work with manufacturers to ensure that digital car radios are fitted with multi-standard chips as soon as possible and inform consumers of availability and benefits of digital radios containing the multi-standard chip.**

121. The fitting of new vehicles with digital radio is only part of the story. The SMMT estimates that there will be 20m vehicles in use in 2015 that would

[73] Letter of 10 March from Lord Young of Norwood Green, Minister for Postal Affairs and Employment Relations to Lord Fowler, available at: http://interactive.bis.gov.uk/digitalbritain/digital-economy-bill/

need to be fitted with convertors at the owners' expense, to allow continued use of existing analogue radios. Retro-fitting of digital radios is impractical because of vehicles' increasingly integrated electronic systems (Q 564 and p 167). The consumer organisation, Which?, has tested one of the conversion devices currently on the market and concluded that "although it is reasonable, it does not work well as we would like in cars with small windscreens" (p 206). Paul Everitt, Chief Executive of the SMMT, agreed that the currently available convertors were first generation technology and fairly cumbersome and "not necessarily providing the kind of quality that drivers may wish" (Q 560), but Laurence Harrison was confident that with more competition and innovation these products would improve (Q 561). Nevertheless, 20m car owners will face an additional cost of purchasing converters for their cars and the aim must be to make this process as smooth and cheap as possible.

122. The conclusion we draw from this evidence is that the technology is in place and the products available, with improvements on the way, to make in-car listening digital. But the industry is clearly seeking greater certainty that digital switchover will happen to drive through the process of development and conversion. We agree that there is a risk that consumers may put off decisions about requesting a digital radio as an option on a new car or retro-fitting a device to an existing car, thus reducing the chances of in-car listening contributing significantly to meeting the listening criterion for Digital Radio Upgrade. **We recommend that the Government, in collaboration with the manufacturers, should provide guidance to the public on in-car digital listening, including advice on conversion kits available and likely to be available within the timeframe of digital switchover.**

123. A further issue related to vehicle reception is the future availability of traffic reports to satellite navigation systems (sat-navs) and digital receivers. Paul Everitt told us that, at present, there was no digital equivalent to the traffic information on FM, which was a cause for concern and some clarity was required on "what the plans are to adapt traffic information so that it can be integrated into the new technology" (Q 576). He added that the motor industry was working on the whole area of intelligent transport systems to reduce congestion and minimise environmental impact, so the industry needed clarity on "the kind of architecture we will be working with" (Q 576). So far, the Department for Transport had not offered any guidance (Q 581). **We recommend that, as a matter of urgency, the Government should liaise with the vehicle manufacturers to provide clarity on how traffic reports will be provided to motorists with digital radios and built-in satellite navigation systems, thus allowing manufacturers to incorporate this into their vehicle development.**

Disposal of analogue radios

124. There could be as many as 100m analogue radio sets which will not be required after digital switchover and will therefore potentially be for disposal. The number will probably not be this high because some will be retained to listen to local and community FM services. Others, which are contained within another device, such as a mobile phone or a CD player, will become redundant but will not be disposed of until the main device is no longer required. Laurence Harrison told us that converters for analogue radios were technically possible but, for standalone/kitchen radios, would cost virtually as much as a new digital radio. They were only likely to be attractive for converting radios in expensive hi-fi systems (Q 591–2).

125. Nevertheless, the reality is that there will be tens of millions of radios which will become redundant. Many households will face a substantial bill if they want to replace each radio that they own. It is one of the most sensitive issues that the Government will have to face at the time of the switchover. There will be entirely understandable complaints if the public is being forced to scrap perfectly serviceable radios. Against this background, there are already industry proposals for some form of scrappage scheme—on the lines of the recent car scrappage scheme—where consumers would be given a discount on the purchase of replacement radios. There may also be a secondary market for these radios or their components.

126. There are no easy answers to these questions, but a number of steps can be taken to alleviate the problem. **First, the Government must ensure that advice goes to retailers and the public that when purchasing radios, consumers should purchase sets that include a digital tuner. This will prevent the problem getting worse. Second, the Government should encourage the industry to devise a sensible scrappage scheme, recognising that the industry, manufacturers and retailers, will benefit heavily from the new sales generated by digital switchover. Thirdly, we recommend that the Government inform consumers as soon as possible as to how the Waste Electrical and Electronic Equipment (WEEE) regulations will operate for disposal of analogue radios.**

Clarity on digital radio standard

127. We do not favour a change of digital radio standard in advance of Digital Radio Upgrade. The Government said last year that the biggest barrier to radio's digital future is "the lack of clarity and commitment to the DAB platform"[74]. It went on to confirm that "for the foreseeable future DAB is the right technology for the UK"[75]. While we are aware that DAB+ standard offers some advantages over DAB, and recognise that the UK may move to a different standard at a later stage, we think that the continuing debate over whether the UK should move now to an alternative standard is unhelpful and only likely to add to the confusion of listeners and consumers.

128. We were particularly struck that Grant Goddard, an independent radio analyst, and John Myers, author of a review of localness in radio for the Department for Culture, Media and Sport[76], when asked whether we should stay with DAB or switch to DAB+, said we should stay with DAB (QQ 346–7). Grant Goddard's arguments were that DAB+ would not solve the problem of finding an economic model for commercial digital radio; and secondly that consumers have invested substantial amounts of money over ten years in digital receivers, almost all of which cannot receive DAB+. "I do not think it is fair on the consumer suddenly to adopt a new codec for the broadcast system which means that those consumers have to throw away their radios" (Q 347). **We therefore recommend that the Government should make clear to the public that DAB will remain the digital radio standard for Digital Radio Upgrade.**

129. **At the same time, we recommend that the Government should set a date by which all new digital radios should contain the multi-standard**

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74 Digital Britain, June 2009, p 92.

75 Ibid, p 95.

76 An Independent Review of the Rules Governing Local Content on Commercial Radio, April 2009.

chip, giving the UK the option of a subsequent move to a different standard. We also recommend that the cost benefit analysis, which the Government has undertaken to carry out, should include an analysis of the costs and benefits of a subsequent move to another standard.

Increasing public awareness

130. Our impression from the submissions that we have received from members of the public is that the Government's policy on digital radio, as set out in Digital Britain, is anything but well known. We do not think that there is general awareness that Digital Radio Upgrade will only go ahead once the two criteria—on listening and coverage—are met. We received an assurance from Siôn Simon MP that these criteria would be observed and that Upgrade would not take place until two years after the country was ready (as measured by these criteria). We think that this would provide both clarity and reassurance to the general public.

131. Likewise, the effect of the Government's policy on the structure of radio in the UK is not widely appreciated. The proposed three tier radio structure, with the third, ultra-local tier continuing on FM, and the greater choice of channels available in most areas are two aspects. Another is the likelihood of more radio station mergers, sharing of premises, changes of station location and broadcasting areas and the effect that this will have on what listeners have come to see as "their" local radio. **We recommend an early and extensive information campaign to publicise the Government's digital radio policy, its rationale and its implications for listeners.**

Steps to increase public confidence

132. We think that the Government also needs to provide further information to the general public on the equipment needed to listen to the radio after switchover and the factors that need to be taken into account when acquiring new digital equipment. We were particularly struck by the evidence of Bryan Lovewell, the Chief Executive of RETRA, the association of independent electrical retailers, that at present a customer wanting to buy a radio would get "rather sketchy" advice from a retailer because RETRA had not been briefed fully by Digital Radio UK (QQ 619–620). He said that his members required more guidance on what was expected of them (Q 621). **We recommend that, as a matter of urgency, the Government, Digital Radio UK, representatives of the electrical manufacturing and retailing industries, and representatives of the vehicle manufacturing and retaining industries should agree advice to consumers about purchase of digital radio equipment. We also recommend the introduction of a "kitemarking" scheme for digital radios, to include information on power consumption.**

133. We support the suggestion in Digital Britain that, in order that any future upgrade to a different digital standard should have minimal impact on listeners, all radio receivers sold in the UK should meet at least the WorldDMB profile 1 (the multi-standard chip) and that such equipment should be clearly labelled, for example using a "digital tick"[77]. **We recommend that the Government explains in a public communications campaign on digital radio that, while DAB radios will continue to**

[77] Digital Britain, June 2009, p 95.

operate for the foreseeable future, radios containing the multi-standard chip will provide insurance against a future change of digital standard and will also work on the continent of Europe.

A help scheme for domestic radio switchover

134. Radio is listened to very heavily by elderly people and we believe that the same arguments as were used in support of the Help Scheme for television also apply to domestic use of radio. **We recommend that the Government confirms as soon as possible that a help scheme with special focus on disadvantaged groups will be part of the Digital Radio Upgrade programme. In this case, funding should be raised through general taxation, not through the licence fee.**

Promotion of digital radio

135. Since the announcement of the Government's policy on digital radio in June 2009, and the establishment of Digital Radio UK in December 2009, the radio industry has made progress in promoting digital radio and forging cooperation with manufacturers and retailers. It would have been helpful if the same urgency had been evident in the promotion of digital radio several years ago. While we welcome the fact that promotion is underway, there is more that needs to be done. We are not convinced, for example, that the benefits of increased functionality and interactivity have been promoted in a way that will appeal to the majority of radio users.

136. The build-out of digital radio coverage will bring improved reception to some listeners, but the availability of more stations does not appear to be a major benefit to listeners, given the high levels of satisfaction with current radio services. One way of promoting digital radio would be through further investment in content available only in digital. We appreciate the financial difficulties of commercial radio sector, with falling revenues, but improved availability of attractive digital content seems to have been an important factor in securing public support for digital television switchover: so far radio has not matched television in this respect. In our view, this is a challenge that commercial radio cannot avoid. If investment in more and better digital-only content were to be left to the BBC, there would be a risk that listenership would be drawn increasingly to the BBC, further reducing commercial radio revenues.

137. The BBC's new strategy proposals, which are the subject of a public consultation, include the proposed closure of two of the BBC's digital-only radio stations: 6 Music and the Asian Network. This proposal sends a negative signal to consumers about the BBC's commitment to digital radio—and the direction of travel on digital radio in the UK—and weakens the already limited case for listeners to invest in digital equipment. This is an issue that will have to be addressed if digital listening is to reach the 50 per cent level at which the Government would be able to implement its Digital Radio Upgrade programme. **We recommend that the Government and broadcasters consider how increased production and dissemination of digital radio content can be encouraged.**

Will passage of the Digital Economy Bill provide greater clarity?

138. We were struck by the expectation of commercial radio and manufacturing industry that the passage of the Digital Economy Bill would give greater

certainty and clarity to the process of switchover to digital radio, and lead to greater activity. Laurence Harrison told us that "what industry works best with is clarity in the market. The Digital Economy Bill and the targets within it provide that" (Q 562). Paul Everitt, Chief Executive of the SMMT also spoke of the "greater certainty" that the Bill would create (Q 565), and that "the more that we create certainty, the more that the broadcasters improve coverage and make the content attractive, then consumers ... will want to access that and that will create more demand ..." (Q 566). He added that "a change in market circumstances, which a commitment to digital provides ... catalyses the market place" (Q 571).

139. The clauses of the Bill relating to digital radio are essentially enabling legislation. The Bill enables the Secretary of State to set a date for digital radio switchover, but provides no more certainty on the date of switchover than the Digital Britain report of June 2009. Laurence Harrison has told us that, from the industry's perspective, the Bill's importance is that it signifies a clear commitment to digital radio, despite the lack of detail. He compares it to the announcement of television switchover in September 2005, following which sales of digital televisions jumped from 800,000 a year to 2.5m a year. The 2005 announcement was not subject to meeting criteria, but Laurence Harrison has told us that "even though we still have to hit the criteria in this instance we know what they are and we know what the target date is. In the eyes of the industry that makes this Bill as important as the 2005 announcement" (p 185).

140. It may be that Laurence Harrison's perception is correct and that passage of the Digital Economy Bill will have the effect of galvanising broadcasters and manufacturers to make the investments which will entice listeners to digital in sufficient numbers to permit the Upgrade programme to go ahead. However, we remain sceptical about the natural attractions of digital radio and are not convinced that listener and consumer behaviour will follow the same path as digital television.

A date for radio switchover

141. In spite of the firm statement in Digital Britain that digital switchover would be completed by the end of 2015 recent Government statements have been more cautious. In the House of Lords on March 3 2010, the Government minister Lord Davies of Oldham had this to say: "What date will all this be effected? That is a pointed and precise but nevertheless very difficult question. We have indicated that 2015 is ambitious although it is achievable. If we do not set a target there is no stimulus to all those who can make a contribution to effecting this successfully to get to work and do so. So we want a date and have identified 2015 but we recognise that it is a challenge."

142. We agree that a target date is necessary to provide some certainty for both the public and the industry. The radio industry in particular will suffer financially the longer it is expected to provide dual transmission in analogue and digital. We are also mindful of the fact that the Digital Radio Working Group suggested a target date for switchover of 2017 and the Government changed this to 2015. Given this history it seems sensible to us that we should retain 2015 as the target date. If the Government was to implement the recommendations in this chapter, it would substantially increase the chances of this target being met.

CHAPTER 6: SUMMARY OF RECOMMENDATIONS

143. We welcome the fact that, so far, the television switchover programme is running to time. The programme is only about a fifth of the way through and only one major urban area so far switched over. It is too early to confirm the entire process as a success, but the progress so far has been encouraging. It has been greatly helped by the voluntary take up of digital television by the public. (para 37)

144. Whilst we were made aware that some viewers have experienced re-tuning problems in the course of switchover, we conclude that, so far, the proportion of viewers experiencing these problems appears to be small and Digital UK is working to resolve the issues where possible. (para 46)

145. We recommend that the Government, working with Digital UK, gives urgent attention to publicising the available solutions to the minority of people who experience difficulties in receiving a digital television signal. (para 57)

146. Digital UK needs to make more information about switchover available in hard copy and through voluntary organisations as well as online. Digital UK should provide more information at the point of sale to help customers choose digital television equipment suitable for their needs. Digital UK should coordinate more effectively with Digital Outreach and the Help Scheme operators. We recommend that Digital UK, the BBC, the electronic retail sector and the voluntary sector should jointly consider these three suggestions. (para 71)

147. We strongly recommend that any help scheme for digital radio similar to the Digital Switchover Help Scheme should be funded through general taxation. (para 78)

148. We recommend that Digital UK should review what improvements can be made in publicising the Help Scheme. (para 81)

149. We recommend that the details of the Help Scheme's aftercare are communicated clearly by the Digital Switchover Help Scheme to relevant voluntary sector organisations as well as to Help Scheme beneficiaries. (para 82)

150. We strongly regret that the cost benefit analysis carried out by PriceWaterhouseCoopers was not published at the time it was delivered to Ofcom and the Department for Culture Media and Sport in February 2009. (para 99)

151. We recommend that the full impact assessment, including the cost benefit analysis of digital radio, be commissioned by the Government and carried out as soon as practicable and that the results be published. (para 100)

152. Given the importance for the Government's plans for digital switchover of universal reception of the BBC's national stations, it is essential that a firm and unambiguous plan and funding for the completion of build-out of the BBC's national multiplex is put in place as soon as possible. (para 107)

153. While we acknowledge that the current financial problems of commercial radio make further build-out of the national commercial multiplex difficult at this time, we urge the Government to ensure that, in due course, it is extended in line with the Digital Radio Working Group's proposal. (para 108)

154. We recommend that, as a matter of urgency, the Government, the BBC and commercial radio agree a plan and allocation of funding responsibility for

local multiplex build-out in order that local DAB coverage can be raised to 90 per cent. (para 111)

155. We recommend that the Government commissions and urgently publishes a report on the state of the FM network, what investment might be required to keep the network functioning and where any maintenance costs would fall. (para 112)

156. We urge the Government to clarify its longer term policy on the use of FM and AM for radio broadcasting. (para 115)

157. We recommend that the Government seeks assurances from the electronics industry on when a single electronic programme guide will be available. The Government should include these assurances in the advice it issues to consumers on digital switchover. (para 117)

158. We recommend that the Government should work with manufacturers to ensure that digital car radios are fitted with multi-standard chips as soon as possible and inform consumers of availability and benefits of digital radios containing the multi-standard chip. (para 120)

159. We recommend that the Government, in collaboration with the manufacturers, should provide guidance to the public on in-car digital listening, including advice on conversion kits available and likely to be available within the timeframe of digital switchover. (para 122)

160. We recommend that, as a matter of urgency, the Government should liaise with the vehicle manufacturers to provide clarity on how traffic reports will be provided to motorists with digital radios and built-in satellite navigation systems, thus allowing manufacturers to incorporate this into their vehicle development. (para 123)

161. The Government must ensure that advice goes to retailers and the public that when purchasing radios, consumers should purchase sets that include a digital tuner. This will prevent the problem getting worse. The Government should encourage the industry to devise a sensible scrappage scheme, recognising that the industry, manufacturers and retailers, will benefit heavily from the new sales generated by digital switchover. We recommend that the Government inform consumers as soon as possible as to how the Waste Electrical and Electronic Equipment (WEEE) regulations will operate for disposal of analogue radios. (para 126)

162. We recommend that the Government should make clear to the public that DAB will remain the digital radio standard for Digital Radio Upgrade. (para 128)

163. At the same time, we recommend that the Government should set a date by which all new digital radios should contain the multi-standard chip, giving the UK the option of a subsequent move to a different standard. We also recommend that the cost benefit analysis, which the Government has undertaken to carry out, should include an analysis of the costs and benefits of a subsequent move to another standard. (para 129)

164. We recommend an early and extensive information campaign to publicise the Government's digital radio policy, its rationale and its implications for listeners. (para 131)

165. We recommend that, as a matter of urgency, the Government, Digital Radio UK, representatives of the electrical manufacturing and retailing industries, and representatives of the vehicle manufacturing and retaining industries

should agree advice to consumers about purchase of digital radio equipment. We also recommend the introduction of a "kitemarking" scheme for digital radios, to include information on power consumption. (para 132)

166. We recommend that the Government explains in a public communications campaign on digital radio that, while DAB radios will continue to operate for the foreseeable future, radios containing the multi-standard chip will provide insurance against a future change of digital standard and will also work on the continent of Europe. (para 133)

167. We recommend that the Government confirms as soon as possible that a help scheme with special focus on disadvantaged groups will be part of the Digital Radio Upgrade programme. In this case, funding should be raised through general taxation, not through the licence fee. (para 134)

168. We recommend that the Government and broadcasters consider how increased production and dissemination of digital radio content can be encouraged. (para 137)

APPENDIX 1: SELECT COMMITTEE ON COMMUNICATIONS

The Members of the Committee which conducted this inquiry were:

Baroness Bonham-Carter of Yarnbury
Baroness Eccles of Moulton
Rt Hon the Lord Fowler (Chairman)
Lord Gordon of Strathblane
Baroness Howe of Idlicote
Lord Inglewood
Rt Hon Lord King of Bridgwater
Rt Hon Lord Macdonald of Tradeston
Baroness McIntosh of Hudnall
Rt Rev Lord Bishop of Manchester
Lord Maxton
Lord St John of Bletso
Baroness Scott of Needham Market

Declarations of Interest

BONHAM-CARTER, Baroness
12(f) Regular remunerated employment
Television Executive, Brook Lapping Productions, a subsidiary of Ten Alps Communications plc
**12(i) Visits*
Visit to Guardian Hay Festival of Literature, Hay-on-Wye (22–24 May 2009) sponsored by skyARTS – accommodation and meals provided by Sky
**13(c) Financial interests of spouse or relative or friend*
I also disclose the interests disclosed by Lord Razzall
16(b) Voluntary organisations
RAPT—Rehabilitation of Addicted Prisoners Trust

ECCLES OF MOULTON, Baroness
**12(e) Remunerated directorships*
Independent National Director, Times Newspapers Holdings Ltd
15(b) Trusteeships of cultural bodies
Director, Opera North, company limited by guarantee ***(unpaid)***

FOWLER, Lord
**12(e) Remunerated directorships*
Non executive Director, ABTA
Chairman, Thomson Foundation
15(d) Office-holder in voluntary organisations
Vice Chairman, All-party Group on AIDS
16(a) Trusteeships
Trustee, Rose Theatre, Kingston
Trustee, Terrence Higgins Trust

GORDON OF STRATHBLANE, Lord
15(d) Office-holder in voluntary organisations
Hon President, Glasgow and West of Scotland Family History Association

HOWE OF IDLICOTE, Baroness
15(a) Membership of public bodies
President, National Governors Association (NGA)
15(b) Trusteeships of cultural bodies
Trustee, Architectural Association School of Architecture

15(d) Office-holder in voluntary organisations
Member, Council of the Institute of Business Ethics
Member of the NCVO Advisory Council
Patron, Institute of Business Ethics
President, The Peckham Settlement
Board Member, Veolia Environmental Trust plc (formerly Onyx)
16(a) Trusteeships
Trustee, Ann Driver Trust

INGLEWOOD, Lord

**12(c) Remunerated services*
Political Adviser, House of Lords ***(unpaid)*** *for the Estates Business Group*
**12(e) Remunerated directorships*
Chairman, CN Group (Media)
Chairman, Carr's Milling Industries plc (food and agriculture)
Director, Pheasant Inn (Bassenthwaite Lake) Ltd (hotel)
**12(f) Regular remunerated employment*
Farmer
Chairman of a colloquium on two pictures by the Indonesian artist Raden Saleh
**13(a) Significant shareholdings*
Pheasant Inn (Bassenthwaite Lake) Ltd (hotel)
**13(b) Landholdings*
Hutton-in-the-Forest Estate (farmland including residential property in Cumbria)
Wythop Estate (farmland including residential property in Cumbria)
Owner Hutton-in-the-Forest (historic house open to the public)
**13(d) Hospitality or gifts*
20 November 2007: The costs of the plaintiffs in the case of Lord Alton and others v. The Secretary of State for the Home Department of which I was one, were met by contributions from Iranian residents in the UK through the National Council of Resistance of Iran
15(a) Membership of public bodies
Chairman, Reviewing Committee on the Export of Works of Art
Governor of Skinner's Academy Hackney (from February 2008) (20 January 2009)
15(c) Office-holder in pressure groups or trade unions
Friends of the Lake District (nominated by the Committee for the National Consultative Council)
President, Cumbria Tourist Board
Member, Historic Houses Association Finance & Policy Committee
15(d) Office-holder in voluntary organisations
Chairman of the Carlisle Cathedral Development Trust Project
President, Cumbria Wildlife Trust (from May 2008)
16(a) Trusteeships
Trustee, Elton Estate, Cambridgeshire
Trustee, Raby Estates, Co Durham and Shropshire
Trustee, Thoresby Estate, Nottinghamshire
Trustee, Calvert Trust
Trustee, Settle-Carlisle Railway Trust
Trustee, Whitehaven Community Trust Ltd
16(b) Voluntary organisations
Member, Bar
Member, Royal Institution of Chartered Surveyors

Fellow, Society of Antiquaries of London
Chairman, Westmorland & Lonsdale Conservative Association

KING OF BRIDGWATER, Lord
**12(e) Remunerated directorships*
Non-executive Director, London International Exhibition Centre plc and London International Exhibition Centre (Holdings) Ltd
**13(b) Landholdings*
Minority partner in family farm in Wiltshire (including cottages)
Partner in woodlands in Wiltshire
15(d) Office-holder in voluntary organisations
Patron, UK Defence Forum
Trustee Friends of Wiltshire Churches
Vice President, Royal Bath and West Society
Vice President of Brainwave (a charity for handicapped children) (5 February 2009)

MACDONALD OF TRADESTON, Lord
**12(e) Remunerated directorships*
Scottish Power Ltd
**12(f) Regular remunerated employment*
In an advisory capacity, Chairman—Macquarie Capital, Europe, whose Funds have shareholdings in Arqiva totalling 34 per cent
Member of the Advisory Committee on Business Appointments (an Advisory Non-Departmental Public Body sponsored by the Cabinet Office)
15(a) Membership of public bodies
Chancellor of Glasgow Caledonian University
Court of University of Sussex
16(b) Voluntary organisations
Member, Fabian Society
Patron, Brighton & Hove Philharmonic Society
Patron, Dystonia Society

McINTOSH OF HUDNALL, Baroness
**12(e) Remunerated directorships*
Non-executive Director, Artis Education ***(unpaid)***
15(b) Trusteeships of cultural bodies
Board Member, Roundhouse Trust
Board Member, Royal Academy of Dramatic Art (RADA)
Board Member, National Opera Studio
Trustee, South Bank Sinfonia
15(d) Office-holder in voluntary organisations
Trustee, Art Inter-Romania
Trustee, Theatres Trust
Trustee, Foundation for Sport and the Arts
16(a) Trusteeships
Trustee, Thaxted Church Trust

MANCHESTER, Lord Bishop of
**12(f) Regular remunerated employment*
In receipt of episcopal stipend
15(a) Membership of public bodies
Chair, Sandford St Martin (Religious Broadcasting Awards) Trust
General Synod of the Church of England
Manchester Diocesan Board of Finance
Manchester Church House Co

Manchester Diocesan Council of Education
Manchester Diocesan Association of Church Schools
Life Governor, Liverpool College
Governor, Hulme Hall
15(d) Office-holder in voluntary organisations
Lord High Almoner to HM The Queen
National Chaplain, Royal British Legion
Chairman, Council of Christians and Jews
16(b) Voluntary organisations
Manchester Diocese Mothers' Union
Arches Housing
Disabled Living
Hulme Hall Trust
Wigan & Leigh Hospice
St Ann's Hospice
Manchester University of Change Ringers

MAXTON, Lord
**13(b) Landholdings*
Holiday home in the Isle of Arran
A London flat

ST JOHN OF BLETSO, Lord
**12(d) Non-parliamentary consultant*
Consultant to 2e2 Group
Consultant to Chayton Capital (an investment management company with interests in potentially investing in agriculture in Africa (3 February 2009)
Advisory Board Member of Climate Change Infrastructure Corporation (unpaid)
Advisory Board Member of Liberty Electric Cars Ltd (unpaid)
Advisory Board of Ariya Capital Africa Infrastructure Fund (unpaid)
I also have recently commenced a one year consultancy assignment for Crosby Capital Partners, an independent merchant banking and asset management group
**12(e) Remunerated directorships*
Director of Estates and General plc
Non-executive Director, Spiritel plc
Non-executive Director, Regal plc
Non-executive Director, Albion Ventures VCT
Non-executive Director of Sharp Interpack, which is a private company and a major manufacturer of rigid plastic packaging
**12(f) Regular remunerated employment*
Advisory Board of Infinity SDC, a specialist provider of data centres. I have a monthly retainer
**12(h) Secretarial research and assistance*
I have a research assistant and part-time secretary
**13(b) Landholdings*
Home in Cape Town, South Africa
Home in Llanwhen, nr. Chepstow, Wales
15(b) Trusteeships of cultural bodies
Trustee, Life Neurological Trust (unpaid)
Trustee, Ma'Afrika Tikkum (unpaid)
Trustee of Alexandra Rose Charities (unpaid)
15(d) Office-holder in voluntary organisations
Trustee, Life Neurological Trust

Trustee, Tusk (a charity for endangered animals)
Trustee, Friends of Television Trust for the Environment
Patron, Tree Education Trust
Patron, Co-Existence Trust
Patron of the Trustees, Citizens on Line
Patron and Council Member of SoCITM (Society of Local Government Communication and Information Technology Management)

SCOTT OF NEEDHAM MARKET, Baroness

**12(d) Non-parliamentary consultant*
Centre for Transport Studies (judging and presentation of transport awards)
Advisory Board, Centre for Parliamentary Studies
**12(e) Remunerated directorships*
Member, Lloyd's Register ***(unpaid)***
**12(f) Regular remunerated employment*
Education Cultural Exchanges – lecturing to visiting students (29 January 2009)
**12(i) Visits*
Visit to Taiwan (July 28–3 August 2007) meeting with the Ministers, members of the People's Democratic Party (fellow members of Liberal International), the British Trade and Cultural Office, parliamentarians and others. Travel and hotel costs paid by the Taipei office in the UK. Courtesy gifts received and given

APPENDIX 2: LIST OF WITNESSES

The following witnesses presented evidence. Those marked * gave oral evidence.

*	Age Concern and Help the Aged
	Arqiva
	Brighton & Hove Radio Ltd
*	BBC
	Channel 4
	Channel 5 Broadcasting Ltd (Five)
*	Community Media Association
*	Consumer Focus
	Consumer Focus Scotland
*	Department for Culture, Media and Sport
*	Digital Radio UK
*	Digital Radio Working Group
*	Digital Switchover Help Scheme
*	Digital UK
	Frome Community Productions CIC
*	Global Radio
*	Mr Grant Goddard
*	Intellect
	Joint submission by 13 local commercial radio operators[78]
*	Lincs FM Group
*	Mr John Myers
*	Ofcom
	Preston Community Arts Project
*	RadioCentre
*	Radio, Electrical and Television Retailers' Association (RETRA)
*	Royal National Institute of Blind People
*	Society of Motor Manufacturers and Traders
	Mr Michael Starks
*	UKRD Group
*	UTV Radio
	Voice of the Listener and Viewer

78 Atlantic FM, Brighton & Hove Radio Ltd, Isle of Wight Radio, Media Sound, New Wave Media, Shetland Islands Broadcasting Company, 107 The Bee, The Local Radio Company, 96.2 The Revolution, Tomahawk Radio Ltd, UKRD Group, UTV Media and West Berkshire Radio Ltd.

Which?

* Wireless for the Bedridden (W4B)

Wireless for the Blind Fund

The following individuals have submitted written evidence to this Inquiry which has not been published but can be found at:

http://www.parliament.uk/parliamentary_committees/communications/wehlcommunications.cfm

Mr Andy Aldridge

Mr Les Banstead

Mr Tim Bar

Mr David Barman

Mr Richard Barnes

Mr Mike Barr

Mr David Birt

Mr Colin Bradbury

Mr Derek Brand

Mr John Brice

Mr Rob and Mrs Lin Briggs

Mr Glenn Campbell

M Chaffey

Mr Michael Chare

Mr Donald Cheetham

Mr John Clancy

Mr Dennis Connor

Dr David Cooper

Mr Charles Cope

P Creevy

Mr Edward Cribley

Ms Diana Curl

Mr Stephen Czarnota

Ms Wendy Dalgetty

L.J. Darlow

Ms Annabel Darrall-Rew

Mr Terence Davidson

Mr Nyall Davies

Mr David Dingley

Mr Ernest Dobson

Ms Elsie Dowling

Mr George Dugdale

Mr Iain Dunbar

Mr Ben Duncan

Ms Jenny Dyson

Mr Arthur Edwards

Mr Fred Edwards

Mr James Edwards

Mr Norman and Mrs Iris Emberson

Mr David Fellows

Mr John Foster

Friends of Radio 3

Mr Roger Galley

Mr Brian Geddes

Mr Trevor Goldsworthy

Mr Peter Graves

Mr Steve Green

Mr Len Gurrie

Mr Alex Hamilton

Mr Jonathan Hanslip

Mr Collin Heath

Mr Rob Heaton

Mr Richard Hellawell

Mr Michael Hills

Ms Celia Hodges

Mr Roger Hook

Ms Wendy Hughes

Ms Jan Hyla

Ms Valerie Iles

Mr David Isaacs

Mr Ian Jackson

Mr Jan-Paul Jeffrey

Dr Sue Johns

Mr Andrew Jones

Dr Michael and Mrs Rosamund Jordan

Mr Lee Jordan

Mr Brendan Kelly
Dr Dave Kimber
Mr Boyd Lee
Mr Gary Leighton-Jones
Mr Robert Liddon
Mr Michael Lowe
Mr Ian Macdougall
Mr David Macgregor
Mr Philip Mallory
Ms Brigitte Mann
Ms Mary Mantell
Mr Steve Mayes
Mr Chris McCarthy
Mr Melvyn McGann
Mr Steve Mott
Mr Geoff Nock
Mr David Park
Dr Keith Parsons
Mr Robert Parsons
Mr Tim Passingham
Mr Barry Pearce
Mr Steve Pendlebury
Mr Richard Pole
Mr David Prewett
Mr Barry Price
Mr Geoffrey Price
Radio Worker
Mr John Rayner
Mr Jon Rennison
Mr Maurice Richardson
Mr Philip Riley
Mr Douglas Ritherdon
Mr Mike Rodway
Mr Vincent Roels
Mr Colin Ross
Mr Lee Sanderson
Mr Roy Sandgren

Mr Martin Scott
Mr Devinder Sehmbi
Mr Scott Simpson
Mr David Small
Mr William Stevenson
Mr Richard Stickland
Mr Stefan Szoka
Mr Rod Theobald
Mr Martin Thomas
Mr Mike Thomson
Mr Tony Trent
Prof Colin Vincent
Mr John Watkinson
Mr Maurice Watton
Mr Michael Weighell
Mr Andrew Wellings
Mr David White
Mr Hugh Williams
Mr Ian Wilson
Mr Gordon Wood
Mr Matt and Mrs Claire Woodgate
Mr Stephen Younger

APPENDIX 3: CALL FOR EVIDENCE

The House of Lords Select Committee on Communications is announcing today a short inquiry into the progress of, and prospects for, digital switchover of both television and radio in the United Kingdom.

The Digital Switchover Programme will replace the UK's existing analogue television network with a fully digital television network, region by region, between 2008 and 2012. As the programme reaches its half way point, the inquiry will make a brief interim assessment of:

- the strengths and weaknesses of the switchover process as they have emerged in the regions which have already switched over;
- the effectiveness of the Digital Switchover Help Scheme and the public communications campaign.

The Digital Switchover Programme applies only to television. The arrangements for radio are still being developed. The Government does not yet have a timetable, though it has said that the switchover date will be announced two years in advance. The inquiry will consider the issues to be resolved, including:

- the current state of the Government's plans for switchover to digital radio;
- the outstanding technical issues, including the appropriateness of DAB as the digital radio standard;
- the views of UK broadcasters, consumers, and radio interest groups.

The Committee would welcome written evidence on any of these issues.

8 January 2010

APPENDIX 4: SUMMARY OF THE MAIN FEATURES OF THE HELP SCHEME[79]

The Help Scheme helps people switch one of their television sets to digital.

Who is eligible for the scheme?

Those eligible for support include those who are: aged 75 or over; entitled to disability living allowance; attendance allowance; constant attendance allowance; mobility supplement; living in a care home for six months or more; or registered blind or partially sighted.

What assistance may be provided?

One or more of the following will be provided:

- equipment that will enable the eligible person to receive the public service television channels at his or her home by means of free-to-view service, and assistance to install and use the equipment provided. The equipment provided must meet a series of technical specifications which include audio description (additional commentary that helps people with a sight problem to picture the on-screen happenings and facial expressions) and an easy to use remote control.
- the installation, repair, replacement, repositioning or re-wiring of a television aerial, a satellite dish or other equipment at the eligible person's home.
- the provision and installation of a set-top aerial suitable for the reception of the public service television channels at the eligible person's home by means of digital terrestrial television.
- an offer to refer the eligible person to the providers of the free-to-view or pay-TV services that are available and to make a contribution towards the cost of providing alternative assistance (equal to the estimated average cost of providing the most cost-effective assistance, which may vary from region to region).

Who will have to pay a charge of £40 to receive assistance?

Anyone who is in receipt of pension credit, income support or income-based jobseeker's allowance can receive assistance for free. All other eligible people will have to pay £40 for the Help Scheme's assistance.

[79] Source: Help Scheme website (www.helpscheme.co.uk)

APPENDIX 5: GLOSSARY

Digital box/Set-top box	The device used to decode digital signals and turn them back into sound and pictures, necessary for converting TVs to be able to receive digital TV.
Digital signal	Television or radio signal sent as compressed data which is then decoded by a digital box. The signal can be received by cable, satellite, broadband or via aerial (Freeview).
Digital switchover	The process of switching over the UK's current analogue television broadcasting system to digital. This also involves ensuring that people have adapted or upgraded their televisions and recording equipment to receive digital TV.
Digital Terrestrial Television (DTT)	DTT is received through a TV aerial. In the UK this includes the Freeview service (which includes the terrestrial channels, BBC1, BBC2, ITV1, Channel 4 and Five) and, for an additional monthly subscription, Top Up TV.
Dual transmission/dual illumination/simulcasting	The broadcasting of a programme simultaneously in more than one medium, for example on digital and analogue television or on digital and analogue radio.
Electronic programme guide	A guide on the screen. The EPG provides a listing of channels and the programmes on them, as well as, in the case of television, a synopsis of the programme.
Eureka 147 family	The collective name for the technical standards used to broadcast digital radio in the UK and many other countries. These standards include DAB, DAB+ and DMB.
Freeview	The main UK DTT service. No subscription is required.
High Definition Television (HDTV)	A new technology that will enable viewers to get higher definition television pictures. HDTV has four times as many pixels (dots on the screen) as standard TV broadcasts, meaning a clearer picture and detail on large-screen TVs.
Multiplexing	The use of a single frequency band of the spectrum to transmit a number of digital television or radio services in the same space as one analogue channel.
Multi-standard chip	A chip integrated into a radio receiver which enables compatibility with a range of standards including DAB, DAB+, and DMB audio.
Pixelation	The break-up in the picture which can affect digital TV signals, as a result of a weak signal, weather conditions or electrical interference.

Platform	A term for the different options for accessing digital TV or radio. There are four platforms for accessing digital TV: through an aerial (DTT), via cable, via satellite or through the internet. There are three platforms for accessing digital radio: radio sets, digital television, or the internet.
Scrolling text	Scrolling text, provided by the broadcasters, shows programme information, news, sports results or artist and track details.
Spectrum	Used to refer to the radio frequency part of the electromagnetic spectrum, which is used to transmit television, radio and other forms of electronic communication.
Transmitter	An electronic device which, usually with the aid of an antenna, sends electromagnetic signals such as radio and television.
TV region	The region covered by one of ITV's major regional services, like Border or Granada. The TV regions are defined by the transmission system. In each region this comprises one or two main transmitters, like Crystal Palace, and then a number of smaller relays which feed off the main transmitter.

Minutes of Evidence

TAKEN BEFORE THE SELECT COMMITTEE ON COMMUNICATIONS

WEDNESDAY 20 JANUARY 2010

Present	Bonham-Carter of Yarnbury, B	King of Bridgwater, L
	Eccles of Moulton, B	Macdonald of Tradeston, L
	Fowler, L (Chairman)	Manchester, Bp
	Gordon of Strathblane, L	Maxton, L
	Howe of Idlicote, B	St John of Bletso, L
	Inglewood, L	

Memorandum by Digital UK

1. Digital Television Switchover—On Track, on Time and Under Budget

(a) 16 main transmitter groups, including 355 relay transmitters, in four TV regions—Border, West Country, Wales and Granada—have completed switchover.

(b) In total, 4.8 million homes have now completed switchover (18.2% of the UK).

(c) Switchover in Wales will complete on 31 March 2010 when the last analogue signals from the Wenvoe transmitter, near Cardiff, are turned off.

(d) The West TV region, home to nearly one million households, will complete switchover on 7 April 2010.

(e) STV North and Channel TV regions will switch over later this year—11 main transmitters, 2.3 million homes.

(f) By the end of 2010 27% of UK households will have switched over.

(g) Digital UK's £201 million communications budget—funded from the Licence Fee—is currently projected to be £55 million under spent at the end of the project.

(h) Since 2005, the proportion of UK homes with digital TV has risen from 66% to 89%. In all regions post-switchover surveys have shown 100% conversion amongst those intending to convert.

(i) In every region switched to date, at least 90% of viewers have said they are comfortable with switchover, and at least three-quarters agree switchover is a positive thing. (source: Digital UK Switchover Tracker)

2. Granada (North West of England) Switchover

(a) The Granada TV region, the second largest region in the UK with three million homes served by 70 transmitters, completed switchover on 2 December 2009 with no unexpected issues.

(b) There has been a predominantly positive press and stakeholder response though we have noted some adverse media coverage around the requirement to retune Freeview televisions and set top boxes and the predicted overlap of Welsh terrestrial TV signal into Granada at switchover (see below).

(c) The consumer communications programme consisted of television, radio, press and local outdoor advertising and provided more than 100 "opportunities to see" the switchover message in the six months before switchover. In Granada, 88% of those surveyed after switchover said that they had received enough information.

(d) The local community outreach programme conducted by Digital Outreach, a consortium of Age UK, Community Service Volunteers and Collective Enterprises Ltd, undertook 1,300 meetings in the voluntary and community sector and 30,000 meetings with charity clients. Digital Outreach also works for the Digital Switchover Help Scheme targeting its older and disabled audience as appropriate.

3. Risks and Issues

(a) Television switchover has seen a steady decline in the average level of risk over the past year as switchovers have moved from plans to concrete successes in the first four regions.

(b) The main issues which have attracted some viewer concern include:

(i) The requirement to retune digital televisions and set top boxes at switchover. While viewer understanding of retuning improved significantly after the 30 September 2009 nationwide retune, retuning remains the primary driver of calls and queries at switchover.

(ii) The reception of non-preferred regional services at or after switchover. For example in Granada, up to 4% of homes in Granada were predicted to see Welsh TV services at the top if the electronic guide. Most viewers are able to choose the relevant regional service and relegate the others. We would expect this figure in the West where another 4% of homes are expected to see Welsh services at the top of the guide where switchover completes on starts on 23 March 2010.

(iii) After switchover 98.5% of viewers will be able to receive Freeview services. Nine out of 10 will get 40 + channels, the remainder served by relay transmitters will get 15 channels (this contrasts with four or five channels in analogue). Some viewers of relay transmitters have expressed their disappointment at not receiving the full Freeview service.

(iv) From time to time the broadcasters make changes to the Freeview channel line-up. For example following a Freeview retune on 30 September 2009, viewers of relay transmitters could no longer receive ITV3 and ITV4. Some viewers expressed disappointment at losing these services.

4. Background on Digital UK and the Switchover Programme

Digital UK

(a) Digital UK is the independent, not-for-profit company created in 2005 to lead the digital switchover. Our shareholders are the broadcasters and multiplex operators, which each have Charter or licence obligations to achieve switchover—BBC; ITV; Channel 4; Five; Arqiva and Teletext.

(b) Our objectives are to co-ordinate the roll-out of the high power digital terrestrial television network; to inform viewers about what to do and when; and to liaise with retailers, manufacturers, aerial installers, housing providers, local government and the Third Sector (via our contract with Digital Outreach).

(c) We are funded primarily from a ring-fenced portion of the Licence Fee. The communications budget of £201 million is fully funded from the Licence Fee. The operations budget of £31 million is funded by each of our shareholders in proportion to their shareholdings.

(d) We work closely with the Switchover Help Scheme which offers assistance for those 75 or over, on certain disability benefits, registered blind or partially-sighted, or living in a care home.

5. Switchover Programme

(a) A regional conversion programme began with the Copeland pilot in 2007. The programme is running to the Government's 2008 to 2012 timetable.

(b) Each of the 67 transmitter groups switches at a different time.

(c) Digital Terrestrial Television (Freeview) currently covers 73% of UK households; TV switchover will deliver universal coverage of 98.5% (equivalent to analogue today).

(d) The TV Switchover Programme will also free 14 UHF channels of spectrum for reuse (managed by Ofcom).

(e) The Programme is reviewed annually by the Office of Government Commerce, and has also been examined in the past by the Commons Culture, Media and Sport Select Committee and the National Audit Office. The programme is on track, will be on time and will be under budget.

TRANSMITTER SWITCHOVER STATUS AT 8 JANUARY 2010

Switchover Project	*Transmitter Group Name*	*DSO 1 Date [as published]*	*DSO 2 Date [as published]*	*Households Served*	*Project Status*	*Cumulative % of homes switched*
Copeland	Whitehaven	17-Oct-07	14-Nov-07	22,000	CLOSED	0.1
Scottish Borders	Selkirk	06-Nov-08	20-Nov-08	52,000	CLOSED	0.3
West Country A	Beacon Hill	08-Apr-09	22-Apr-09	132,000	CLOSED	0.8
	Stockland Hill	06-May-09	20-May-09	206,000		1.5
Border B	Douglas	18-Jun-09	16-Jul-09	38,000	CLOSED	1.7
	Caldbeck	24-Jun-09	22-Jul-09	286,000		2.8
West Country B	Huntshaw Cross	01-Jul-09	29-Jul-09	66,000		3.0
	Redruth	08-Jul-09	05-Aug-09	122,000	SWITCHED	3
	Caradon Hill	12-Aug-09	09-Sep-09	255,000		4
West Wales	Kilvey Hill	12-Aug-09	09-Sep-09	132,000		5
	Preseli	19-Aug-09	16-Sep-09	83,000	SWITCHED	5
	Carmel	26-Aug-09	23-Sep-09	110,000		6
North Wales	Llanddona	21-Oct-09	18-Nov-09	95,000		6
	Moel y Parc	28-Oct-09	25-Nov-09	179,000	SWITCHED	7
	Long Mountain	04-Nov-09	03-Dec-09	24,000		7
Granada	Winter Hill	04-Nov-09	02-Dec-09	3,041,000	SWITCHED	18
South Wales	Blaenplwyf	10-Feb-10	10-Mar-10	26,000	GREEN	18
(+ Blaenplwyf)	Wenvoe	03-Mar-10	31-Mar-10	649,000		21
West	Mendip	24-Mar-10	07-Apr-10	913,000	GREEN	24
STV North A	Bressay	05-May-10	19-May-10	9,000		24
	Keelylang Hill	12-May-10	26-May-10	10,000	GREEN	24
	Rumster Forest	02-Jun-10	16-Jun-10	23,000		24
	Eitshal	07-Jul-10	21-Jul-10	12,000		24
	Skriaig	14-Jul-10	28-Jul-10	8,000		24
STV North B	Angus	04-Aug-10	18-Aug-10	210,000		25
	Durris	01-Sep-10	15-Sep-10	221,000	GREEN	26
	Knockmore	08-Sep-10	22-Sep-10	39,000		26
	Rosemarkie	06-Oct-10	20-Oct-10	70,000		26
STV Central A	Torosay	13-Oct-10	27-Oct-10	17,000	GREEN	26
Channel Islands	Fremont Point	17-Nov-10	N/A	50,000	GREEN	27
Anglia A	Sudbury	2011	2011	523,000	GREEN	29
	Sandy Heath	2011	2011	966,000		32
Central A	Bromsgrove	2011	2011	30,000		32
	Lark Stoke	2011	2011	38,000	GREEN	32
	Nottingham	2011	2011	74,000		33
	Ridge Hill	2011	2011	286,000		34
	The Wrekin	2011	2011	282,000		35
STV Central B	Darvel	2011	2011	197,000		36
	Rosneath	2011	2011	44,000	GREEN	36
	Black Hill	2011	2011	1,020,000		40
	Craigkelly	2011	2011	455,000		41
Yorkshire	Belmont	2011	2011	712,000		44
	Chesterfield	2011	2011	34,000	GREEN	44
	Olivers Mount	2011	2011	31,000		44
	Sheffield	2011	2011	119,000		45
	Waltham	2011	2011	815,000		48
	Emley Moor	2011	2011	1,756,000		54
Central B	Sutton Coldfield	2011	2011	2,121,000		62
	Oxford	2011	2011	415,000	GREEN	64
	Fenton	2011	2011	128,000		64
Anglia B	Tacolneston	2011	2011	408,000	GREEN	66

Switchover Project	*Transmitter Group Name*	*DSO 1 Date [as published]*	*DSO 2 Date [as published]*	*Households Served*	*Project Status*	*Cumulative % of homes switched*
Meridian	Hannington	2012	2012	481,000		68
	Midhurst	2012	2012	99,000	NOT YET	68
	Rowridge	2012	2012	733,000	OPEN	71
	Whitehawk Hill	2012	2012	114,000		71
London	Crystal Palace	2012	2012	4,858,000	NOT YET OPEN	89
Meridian	Hastings	2012	2012	18,000		90
	Heathfield	2012	2012	216,000	NOT YET	90
	Tunbridge Wells	2012	2012	54,000	OPEN	91
	Bluebell Hill	2012	2012	217,000		91
	Dover	2012	2012	231,000		92
	Margate	2012	2012	9,000		92
Tyne Tees	Bilsdale	2012	2012	595,000	NOT YET	94
	Chatton	2012	2012	33,000	OPEN	95
Ulster	Limavady	2012	2012	104,000	NOT YET	95
	Brougher Mountain	2012	2012	37,000	OPEN	95
Tyne Tees	Pontop Pike	2012	2012	790,000	NOT YET OPEN	98
Ulster	Divis	2012	2012	508,000	NOT YET OPEN	100

15 January 2010

Examination of Witnesses

Witnesses: MR DAVID SCOTT, Chief Executive, Digital UK and MR PETER WHITE, Chief Executive, Digital Switchover Help Scheme, examined.

Q1 ***Chairman:*** Welcome. Thank you very much for coming at quite short notice. We are looking at the digital switchover process, both in television and radio. It is not going to be a long inquiry perforce of circumstance because we all have the slight suspicion that an election might come—we have the certainty that an election will come at some stage and the only question is quite when in the next few months. So we are taking the essentials as far as this is concerned. This is our first meeting and I will therefore start with some basic questions, if I may, starting with finance. How much do you now estimate that the process of digital switchover as far as television is concerned is going to cost?

Mr Scott: Can I take that in two parts? I am accompanied here by Peter White, who is Chief Executive of the Help Scheme, and so he will address questions on that, which is a separate organisation. Digital UK itself has a budget made up of two parts. The first part is a communications budget which is funded from the licence fee. That budget was set at £201 million and we are presently expecting to come in at £145 million, so we will have a saving of £55 million or so. Secondly, we have an operating cost budget which is set at just over £30 million, which is met by all our shareholders. The numbers I have given you are for the total project, from the beginning in 2005 through to the end of the switchover programme. In addition to that Peter has a budget.

Mr White: If I could take a bit of time to explain because ours is dependent on take-up and we are only about 20 per cent through. The original budget for the Help Scheme was £603 million. That assumed an original take-up of 65 per cent. After the competitive procurement process—that at the time the OGC said was a model of its kind—we saved just over £100 million; so at that point with 65 per cent take-up we would have been expected to spend £495 million. But that was still assuming a take-up of 65 per cent. Currently take-up is around 18 per cent and that does vary region by region, but on average it is 18 per cent. At this particular stage though there are a number of factors that may change that as we go forward –such as changes to the Scheme Agreement; so we have had a change including care homes, which brings additional cost. We have also just finished research that shows there are some people who are still struggling with switchover that we would like to help, and we think it would be a good thing to help. We think that there is probably an additional five to ten per cent of the eligible people that probably could benefit from our help. Also we are just about to introduce a new Freeview box. You will hear that one of the issues with switchover is the retuning issue. That new box really copes well with retuning and therefore we think that that may drive up demand. So actually with 18 per cent take-up so far and these other factors—when the NAO looked at this in

February 2008 they predicted an underspend of £250 million, half of which was the procurement saving and half was take-up—we believe that at this stage it is probably wrong to assume more than an additional £50 million on top of that; therefore £300 million underspend is where we think it may turn out.

Q2 ***Chairman:*** That is over a period.
Mr White: That is over the life of the scheme.

Q3 ***Chairman:*** Tell me this: you were estimating 65 per cent take-up and you are saying that so far the take-up is 18 per cent.
Mr White: Yes.

Q4 ***Chairman:*** That is an extraordinarily wide variation; why did we get it so wrong?
Mr White: I was not around when the modelling was done, the 65 per cent—that was the Government model. I think it was based on estimates.

Q5 ***Chairman:*** Who did that model?
Mr White: The DCMS was doing that modelling at the time, and I think it was based on television conversion at the time, which did get substantially better from the time the model was done until now. Also, I think it was not known what take-up would be. These demand-led programmes are very difficult to predict. It is true that there are many of the eligible people who, we think, think that the offer is good value but they are choosing to help themselves and doing it very well; so it is their choice. So until you do these things it is very difficult to know what the demand will be.

Q6 ***Chairman:*** Actually you could have done without a Help Scheme at all, could you not?
Mr White: What is very clear is that for the people we are helping they are absolutely in need of that help, so I would say that there would be a good number of people who would be left with blank screens struggling to watch television if there was not a Help Scheme.

Q7 ***Chairman:*** Did whoever was organising this take any advice from the Department of Social Security on take-up? Because they are the experts.
Mr White: I do not know that but I can find out and write to you with that.

Q8 ***Chairman:*** It would seem a sensible thing to have done. So we are then left, are we, with an underspend over the period, is that right, of £355 million, taking these two together?
Mr Scott: £55 million from Digital UK, yes.

Q9 ***Chairman:*** £55 million from you, which is a vast underspend, is it not?
Mr Scott: Yes. We continue to seek savings as we go.

Q10 ***Chairman:*** You are taking credit for it?
Mr Scott: Last year we reduced our communications activity by about £10 million and so we continue. Part of that is the economy obviously; but we are trying to tighten our communications and make them more efficient the whole time.

Q11 ***Chairman:*** Just to put it into perspective, this was £355 million over the switchover period, that is correct; but it is also money that has come from the BBC licence payers in both cases. So it is not entirely impact free because if that money had been available it could have been used for other purposes like training inside the BBC, about which we are concerned in this Committee.
Mr Scott: These budget sums for switchover were added to the licence settlement and were ring-fenced.

Q12 ***Chairman:*** I have heard that argument before—and it was not an argument that was used initially, incidentally. You are looking at it from the point of view of the provider and we are looking at it from the point of view of the consumer, from the point of view of the public; it is the public who are paying the licence fee. And actually they have overpaid, have they not, because where is the money going to go?
Mr White: There are two things. Can I answer the previous question? The money is collected throughout the life of the scheme so what we have made sure we have done has always been forecasting the best estimates and giving that to Government, so there is still time not to collect all of that money from the licence fee if there is an adjustment made before it is collected. So at the moment we have underspent against the model by £50 million by the end of the last financial year and there will be about 50 plus again this year. So it is not as bad as all that.

Q13 ***Chairman:*** But I still do not know quite where this money goes at the end of it. Slight experience of governments over the years, my guess would be that it will not go to broadcasting; it will go back to the Treasury.
Mr White: I do not have a view on that.
Chairman: You do not have a view. You do not need a view; do you have any information on it?

Q14 ***Lord Gordon of Strathblane:*** Or arguably back to the licence fee payer if somebody wanted to reduce the licence fee by the excess.
Mr White: The scheme agreement, which is the rule book under which I operate, is very clear that if there is an underspend it goes back to Government to consider how they spend it; so as the Chief Executive of the scheme I do not have a view.

Chairman: So at the moment, at any rate, there is underspend which could go back to whomever? But we have a strong suspicion that would be the Treasury—at least I have a strong suspicion it would be the Treasury.

Q15 ***Baroness Bonham-Carter of Yarnbury:*** My Lord Chairman, is not the idea that it goes to the independent news consortia?
Mr White: Again, that is for Government to decide.
Baroness Bonham-Carter of Yarnbury: That is what is suggested.

Q16 ***Lord Maxton:*** There is some commitment to the Broadband commitment as well—some of it might go there.
Mr White: The Government is talking about that.
Chairman: I wanted to get that clear, but let us turn to the actual progress of the scheme itself.

Q17 ***Lord Inglewood:*** As I think David Scott will know, I live in the Border transmission area where of course we have gone through digital switchover. The impression I have is that in general it went smoothly and people are able to operate the new technologies without any untoward difficulty. In my household—our children might disagree—we think we have it cracked, and that is the impression I have in the community in which I live. How do you see it having gone in terms of the impact in the communities where digital switchover has actually occurred? Do you think that you have succeeded?
Mr Scott: I am glad that you have managed to switch satisfactorily. Yes, our experience is that it does go pretty smoothly. We expect normally that about 99 per cent of homes will have digital equipment installed in their homes ready for switchover at our first switchover date; and at the second stage or immediately afterwards we would expect that to be 100 per cent. We normally find that about one per cent of homes in the area will telephone us on switchover day asking for advice and information. The matter which they on the whole find difficult is how to retune their Freeview equipment, which they may have had installed for some years but not have retuned and so it is a new experience for them. We find that, of those people, we can help the vast majority in the space of about a five-minute telephone conversation and they go away having retuned the box while we are on the phone. From our research in areas after switchover—we go back and do some research a few weeks later—so far in four switchover regions which have completed we have found in every case a 100 per cent take-up, apart from one household in the West Country and we found that they had not converted. Our expectation is that everybody will convert.

Q18 ***Lord Inglewood:*** Is the picture that is emerging a consistent one across the country as a whole?
Mr Scott: Yes, so far it has been. When I say that we expect about one per cent of calls on switchover day, that number has varied from just under half a per cent to, I think, 1.3 percent—so it is in that band. But it averages at about one per cent of people asking for specific advice on the day of switchover.

Q19 ***Lord Inglewood:*** Is what has happened what you anticipated when you were planning it?
Mr Scott: Yes.

Q20 ***Baroness Howe of Idlicote:*** You say that 99 per cent and really 100 per cent the day after, as it were, have been completed, but given the whole area, the whole of the country, are you anticipating that it will be completed by the target date, as well as being within budget? You have clearly given the answer to the second part of that.
Mr Scott: Yes, I am absolutely confident that we will complete on the target date. It is a very complex engineering project where it all has to be knitted together and once dates are set they are very, very hard to move. In delivering that engineering project which Arqiva, the transmissions mast operator are doing, they are of course weather dependent particularly. We have had three wet summers in a row which, I am glad to say, they have managed to cope with, and not got behind. In the last few weeks we have obviously had a lot of snow which has made access to some of their sites very difficult but, again, there is no indication at the moment that that is going to cause them any time delay.

Q21 ***Baroness Howe of Idlicote:*** And we are talking about both rural and urban areas?
Mr Scott: Yes.

Q22 ***Baroness Howe of Idlicote:*** And to add to that group all those really bad reception areas—one of which I live in. So you are quite confident about all of that?
Mr Scott: Absolutely.

Q23 ***Baroness Howe of Idlicote:*** In fact given the whole scene are there any other problems that you anticipate?
Mr Scott: I suppose there have been two changes to the activity which we undertake in the last period. First of all, Ofcom and Government and the broadcasters decided to rearrange the Freeview platform to introduce high definition services. Our plan had originally been that the Freeview standard definition free-to-air services would be carried on all six of the multiplexes. Now they are going to be carried on five and the sixth one has been cleared for high definition services, which are just launching. So

that was an adjustment to our plan and that resulted in the need for Freeview to organise a national retune on 30 September of last year, when every Freeview home in the country had to retune their boxes in order to continue to receive all their services. We supported Freeview through that and I am glad to say also that the research which we did afterwards showed that about half the country, about eight or nine million homes retuned on 30 September and a few weeks later we found that 97 per cent had and 1.4 per cent were planning to do so very shortly.

Q24 ***Baroness Howe of Idlicote:*** Do you think it is complete by now?
Mr Scott: Yes.

Q25 ***Lord Gordon of Strathblane:*** While the experience in Granada must give you a fair degree of confidence, surely London is a different order of magnitude to any other part of the country in terms of straight numbers?
Mr Scott: Yes, in terms of numbers obviously you are right. I think that as we go through the process we are working with the grain of the market place so already 91 per cent of homes in the UK have digital television services. I expect that by the time we get to London in 2012 that number will be higher. So, yes, the numbers are large. In Granada we were faced with three million homes switching at the end of last year and that went through very smoothly.

Q26 ***Lord Gordon of Strathblane:*** There is no danger that coverage of the Olympics will be in any way hampered in 2012—one hopes?
Mr Scott: I absolutely hope that that is right. I believe that is right. I was referring to changes that have been made along the route. There is another change which Government and Ofcom are considering and I think have decided to implement, which is that as part of the television switchover programme we released something called the digital dividend, which is 14 frequency channels. The original plan which was agreed in 2003 or 2005 specified which frequencies would be released and there has been a slight adjustment to that; so frequencies 61 and 62, which are used for television at the moment and were planned to continue to be used for television broadcasting after switchover, will now be released either at the time of switchover or shortly afterwards. We are working with Ofcom and the broadcasters to plan that activity, which will affect something like 800 of the 1,100 masts which will require some adjustment to our plan.

Q27 ***Lord Maxton:*** You operate very largely through Freeview in all this but we have had Freesat since the introduction of the scheme, so to speak. Does that affect it in any way?
Mr Scott: Obviously when I give numbers of households with digital equipment I am including Sky services, Freesat services, cable services and Freeview. But the switchover programme affects the terrestrial transmission masts and so it does not affect the satellite or cable services.

Q28 ***Bishop of Manchester:*** I am one of the seven million viewers within the Granada region. I think we were really pleased that we were given such top priority in the North West as one of the very first regions to have the switchover, although listening to Lord Gordon I am really becoming a bit cynical now that we were probably merely being tested out for the teething problems which London might then have. You have been quite reassuring on the teething problem issue. Certainly in Manchester I have not come across any problems. We do have a home in South Lakeland and I have to say that I have had to retune on several occasions, although that may simply be my inadequacy. I did pick up in a local Lancashire newspaper that there had been some genuine problems I think in the Lancaster area in relation to picking up BBC signals; is that right?
Mr Scott: Yes. These were absolutely anticipated and expected issues. What you are referring to, I think, is that something like four per cent of homes in the Granada television region were also going to be able to pick up services from Wales. So after switchover, when we got to high power services from Wales and from Granada, when people retuned their boxes about four per cent of homes were going to be able to receive Welsh services as well as the Granada services. The Welsh services which they are receiving are transmitted on lower frequencies than the Winter Hill signals, so many of the boxes when they are retuned will capture—they start retuning from the lower frequencies and go on up—the first signal they get, receiving a Welsh signal and then lodge that. The Granada signals were then grabbed and put higher up in the EPG so they are in the 800 numbers rather than at 1, 2, 3 or 4. This, as I say, was planned and expected. It is solvable. It is fiddly where it requires people either to do a manual retune of their box, which requires them to put in the specific frequency numbers they want; so that obviously makes it difficult for them to get the information—it is not entirely intuitive. Or they can root around with their "favourites" functionality, if that exists on the boxes. It was an issue, you are quite right; it was referred to in the Lancashire paper. It was anticipated and I think is now being dealt with. It is going to happen again when we get down to the West region in the next few months; again, about four per cent of homes in the West region around Bristol will be able to pick up the Welsh signal as well as the West signal.

Q29 ***Bishop of Manchester:*** Can I continue to press you on this about your phrase "and is being dealt with"? Does that mean that there are still quite a lot of homes in, say, the Lancaster area that are unable pick up the local Granada news? I suspect that that is actually what you are saying, and that it may be a little while before what you are aiming for is actually achieved.
Mr Scott: I do not know the answer to that question. The concern that was in the media, following the switchover on 2 December, appears to have abated. I think the last article I have seen was 20 December, and I have not seen any issues or complaints that have been raised since then. Certainly we had a lot of calls to our advice line in the normal way, asking how to deal with this, but that call volume has dropped away completely. So I am not aware of large numbers of people who are still struggling.
Bishop of Manchester: And the fact that I have had to retune several times, is that my incompetence? Do not answer that!

Q30 ***Lord Maxton:*** Can I ask what is almost the reverse question of the Wales one here. In parts of the west of Scotland at present with analogue terrestrial you pick up Ulster. Will the switchover do away with that particular problem?
Mr Scott: No, probably not. The digital terrestrial network has been built using the same masts as the analogue network, so I would think that somebody as you describe, in the west of Scotland, who might be receiving a UTV signal is probably doing that because he does not have a line of sight to a transmitter for STV, and if that is the case he will continue to receive a signal after switchover from the same mast which he has now, which is presumably the Divis mast near Belfast.

Q31 ***Lord Maxton:*** For people in the west of Scotland "Car crashes in Belfast" is not of great interest!
Mr Scott: Of course satellite services would give them the region that they require.
Lord Maxton: Yes, it gives you BBC Wales even.

Q32 ***Lord St John of Bletso:*** If I could touch on the Help Scheme, you mentioned an 18 per cent take-up and of course those eligible are aged 75 and over and those who live in care homes and the eligible disabled. What groups have been the major users of this scheme and what contribution have those had to make? There has been mention of a £40 contribution; so how many have paid the contribution and how many have had that service for free?
Mr White: If I start with who is taking it up. There are slightly more people 75 and over than the eligible disabled who are eligible for this scheme, and we are finding that the older people have a higher propensity to take it up—but only slightly. So that shifts the proportion by about five to ten per cent. So whilst we are saying there is a tendency for more older people to take up the scheme it is not a significant shift from the proportions of those eligible. On the free and £40, about 40 per cent of eligible people are entitled to free help, so 60 per cent are asked to pay £40. You are three times more likely to take up the scheme if you get it free. So clearly that is the effect.

Q33 ***Lord St John of Bletso:*** How is the scheme communicated to those who are eligible? And is the scheme correctly targeted to those three categories? I suppose the final question is: when will this scheme come to an end?
Mr White: We get the data on the eligible people from the Department for Work and Pensions and from the local authorities for the blind and partially sighted data, and we then write to those individuals—the Information Commissioner allows us to write up to three times before we hear back from them. We also do lots of media campaigns and outreach activities with charities and local authorities. But we actually write to those people who are eligible. The scheme runs across the country, mirroring the ITV region switches, so eligibility opens before the ITV region switches and closes one month after the final transmitter switches in a region. So it closes down as it goes along; so in some regions the offer has closed already and the after-care period has ended as well, so we close it down as we go through.

Q34 ***Chairman:*** I am still not totally sure: what form does this help take? What is the help?
Mr White: We will provide equipment. The standard offer in most of the regions so far has been a DTT box, a Freeview box. We will come into the home and install it; we will check the aerial works, and if the aerial needs upgrading and we are able to—sometimes we are not able to if there are planning restrictions or rented accommodation—then we will replace the aerial.

Q35 ***Chairman:*** When you say "we"?
Mr White: We the Help Scheme; so the Help Scheme and our main contractor who is Eaga plc, whom we appointed in the procurement process. We then also provide an aftercare process, so there is a free phone number that people can call if they have problems retuning their box afterwards.

Q36 ***Chairman:*** So there is a separate plc going round the country?
Mr White: No, it is us running it throughout the scheme region by region and Eaga plc, which is our contractor delivering the scheme, are with us all the way through the scheme.

Q37 ***Chairman:*** In every region?
Mr White: In every region, yes.

Q38 ***Lord Maxton:*** Is the Help Scheme limited to the Freeview service? In other words, can you make a contribution towards Freesat or SatFree, to Satellite Sky?
Mr White: In every region we open it up to all platform providers to be able to offer options; and so to date we have been offering Freesat services and a Sky service. We have not had any bids from cable operators to do that. So, yes, you can choose a Freesat or a satellite service from Sky.

Q39 ***Lord Maxton:*** Because obviously with a care home it might very well be the cheaper alternative to put in one satellite dish and provide that service to all the rooms within that home.
Mr White: There is a process which assesses what can be done.

Q40 ***Chairman:*** Let me go back to this cost again. There is this fee of £40 but how much on average would it cost you to provide the help on a per person basis?
Mr White: Because of a reasonably large fixed cost obviously to run the scheme the cost per person helped varies depending on take-up, but on current take-up it could be around £200 per person actually helped. There is also a benefit to those people we do not help because sending out details of the switchover to all eligible people, we talk to a lot of them on the phone, talking through what their needs are and then some decide that they are already sorted and do not need help. That is still quite good value because our boxes are better than the cheapest box you can buy. We have heard about the different regions' service issues. The new box we are putting in sorts those very easily; it retunes automatically using a trigger in the broadcast signal. An installer, who is CRB checked, turns up to the home—and that costs money if the individual was doing that. The aftercare service—we will also turn up at the home again afterwards to talk people through the equipment if they are really struggling to use it. Aerial installations can cost hundreds of pounds. So for the £40 fee to make sure that you get everything you need to switch, for a lot of people is a very good and secure value package.

Q41 ***Chairman:*** As you say, they are getting very substantial support in that.
Mr White: Yes, and a significant number of people we are helping need that support.

Q42 ***Chairman:*** I do not know if this pre-dated you but did it ever occur to you that this might actually all be organised through the Social Security Department? Why do we need a separate help department for all this? Could it not be done through the Social Security Department and they actually provide resources to agents throughout the country?
Mr White: It is probably better asked to the DCMS who set up the scheme, I think, rather than us.

Q43 ***Chairman:*** Let me ask it the other way. You must have some advantages, so tell me what they are.
Mr White: I think one of the reasons why the DCMS did it is that there are not many government departments that run engineers who visit people's homes, so it is a very physical service. We are buying television equipment; we are technically ensuring that that equipment is right; we are actually training and managing installers who go and visit homes. So 60 per cent of people who opt in get an installation within 15 days. It is a very slick operation and you need people with experience in this to manage it.

Q44 ***Baroness Bonham-Carter of Yarnbury:*** Can I confirm something in answer to the first question. You mentioned £300 million that you thought would be left over. Is that from the Help Scheme?
Mr White: Yes.

Q45 ***Baroness Bonham-Carter of Yarnbury:*** Just from the Help Scheme?
Mr White: Yes.

Q46 ***Baroness Bonham-Carter of Yarnbury:*** Just one question to Mr Scott. There was some concern before this all began about multi-occupancies, landlords and so on. Have you had problems there or have you managed to resolve people being left out?
Mr Scott: You are quite right. One of our high risks that we identified at the outset was what would happen in flats where landlords, either social landlords or private landlords, might not have done what they needed to do in terms of updating aerials or reception. That is a risk which we have been downgrading as we go and I have to say we have been working quite hard on it. In the social sector we do work in a region for about 18 months before switchover. We try to identify all the social housing providers. We list them individually, we work out how many units, what accommodation they have; we prioritise the highest volume providers first. But by the time we get to switchover we will have been in touch with all of them and have a confirmation that all of their buildings are ready for switchover. So far we have a 100 per cent record on that. The private landlords are much harder to identify because there is no central listing of where they are, but we again work hard trying to communicate to people who are obviously tenants—where we can see from the address that it is flat number so and so, or 16B or whatever—to tell them what they need to talk to their landlord about and we communicate to landlords

where we can find them. We make use of the tenants' deposit scheme and we communicate through landlords associations and elsewhere. But so far—and I think that Granada was probably going to be the first big test in this—this has not proven to be an issue at switchover.

Q47 ***Lord King of Bridgwater:*** You said that the boxes you provide are rather better than some of the cheaper ones that are available. Who provides them? Who produces them?
Mr White: We buy them from a number of sources. In fact we are just going through a procurement process that may look at changing that supplier; so it is a number of different suppliers that is changing over time.

Q48 ***Lord King of Bridgwater:*** But you roll it out to tender, do you?
Mr White: Eaga are currently going through a tender, yes. We set the specification for the box and then go to manufacturers and ask them to deliver to that specification.

Q49 ***Lord King of Bridgwater:*** What sort of numbers are you talking about?
Mr White: We have currently helped just over a quarter of a million people and the majority of those are with a Freeview box.

Q50 ***Lord King of Bridgwater:*** So you bought a quarter of a million boxes?
Mr White: Yes.

Q51 ***Lord King of Bridgwater:*** Which you paid for out of public funds, which were supplied to people free of charge?
Mr White: Or £40 if they had to pay £40.

Q52 ***Lord King of Bridgwater:*** How long does your obligation to stay with them last?
Mr White: We have said 12 months. We have found that most people get used to using the equipment pretty soon after switchover, but some people do struggle. There will always be some people, particularly in this group, who do hang on to the service and we will then work with local charities and the people they have contact with to hand them back.

Q53 ***Lord King of Bridgwater:*** Why are you going out again? Have you had problems with some of the manufacturers?
Mr White: There are some boxes with faults but it is a very small number and well within industry norms. Mainly we go out because people are struggling to use the equipment; so it is an understanding thing. It is not the equipment itself, it is the user.

Q54 ***Lord King of Bridgwater:*** I am sorry, I am asking about your placing of an order. I understood that you place an order with various manufacturers.
Mr White: Because value for money is still at the heart of what we do and box cost is a significant part of the cost of the scheme and therefore we are ensuring that we are always getting the best price for the box. It is absolutely nothing to do with the quality of the boxes; this is about making sure that we continue to get good quality boxes at the best price for the licence fee payer, who is ultimately paying.

Q55 ***Lord Maxton:*** Freeview boxes now can be bought with a DVR capacity. Do your boxes have that?
Mr White: We offer that as an upgrade option so obviously that would cost more money. But we offer that and the choice of integrated TVs if people choose that too, which we would then deliver and install and support. Not many people have taken those up but we do offer them.

Q56 ***Lord St John of Bletso:*** The Help Scheme offers assistance for just one television in the house. What would the cost be if households had more than one television set?
Mr White: The scheme only allows us to help with one television; so we actually do not help with any of the other televisions in the house. So that is up to the householder to sort the other televisions out.

Q57 ***Baroness Eccles of Moulton:*** Could we turn, please, to the DCMS/DTI cost/benefit analysis that took place in 2005? It indicated that there was going to be both economic benefit through savings by not continuing with dual transmission, and also consumer benefit in that it was going to release spectrum for other uses. Is it time for that analysis to be reviewed or is it still pretty well accurate as things are progressing?
Mr Scott: I will happily answer that question but I will start off by saying, as you said in your question, it is an analysis that was done by BERR or BIS and the DCMS and it is their cost/benefit analysis and not mine. That said, it was originally done in 2003 by the departments with some independent economists and I think that they considered that there was a net benefit of about £2 billion. It was updated in 2005 and the assessment then was that it was broadly in the same order, about £1.7 billion. Since then Ofcom has done some further work and thinks that the frequencies which are going to be released will be worth a bit more, so maybe the net benefit is larger now than originally planned. What I would say—it is a matter obviously for the departments—we are half way through the programme and I cannot see a great benefit in updating that analysis now. Personally, I would probably wait until the end of the project when

Ofcom will have perhaps done some more work on the allocation of frequencies, which is the big number. It does not obviously impact on the work that I am doing. This cost/benefit analysis was done by the departments to inform Government policy. My job is to deliver that policy and to be efficient in doing so. That is what we do.

Q58 ***Baroness Eccles of Moulton:*** As things are at present, although it is not directly within your remit, you do not see any great need for anybody either Ofcom or DCMS?
Mr Scott: Personally not, but you probably should ask that question of the departments.
Baroness Eccles of Moulton: We will do that. Thank you.

Q59 ***Lord Macdonald of Tradeston:*** Can I ask you to offer your overview on this just to help us understand the area better. I am aware of what you have just said about it being more a government area than your own, but just in looking at the benefits, could you guide us in terms of the communication industries, who might be the beneficiaries and who might be the losers in the cost/benefit analysis?
Mr Scott: I am sorry, I am not going to be able to help you hugely on that in that I have never actually gone deeply into the analysis which the Government undertook. But the frequencies which are going to be freed up are probably going to be auctioned by Ofcom. They could be used for further television services; they could be used for broadband; they could be used for mobile services, and I think that the market and the auction process and however that is structured will decide who is going to get the frequencies. So I am not being terribly helpful, I am afraid.

Q60 ***Lord Macdonald of Tradeston:*** Another aspect of it is perhaps the environmental impact. We have seen figures that suggest that perhaps the energy required for the kind of digital television that you are encouraging might be a cost of over £1 billion a year to the consumers. I am not quite sure how many households there are but that is maybe working out about £40 per household per year. Do you have a view on that? Has it been an issue that you have had to address?
Mr Scott: Again, this is work that the government departments have looked at. There are of course two parts to this. At the moment we are running a dual transmission system, both the analogue terrestrial system and the digital terrestrial system, and at the point of switchover the analogue system gets switched off. So there are energy savings there, I believe. From the consumers' point of view, the boxes and equipment in their homes, I think there is greater energy consumption than a normal television set. However I think that work is being done—and I know that Sky, for instance, has introduced some more efficient set-top boxes, so work is happening in that area. Part of the problem is that of course these boxes should ideally be left in a standby mode, switched on overnight because they do receive downloads over the air during the night.

Q61 ***Lord Macdonald of Tradeston:*** Are there any safety factors involved in leaving the boxes on all night?
Mr Scott: Not that I am aware of.

Q62 ***Lord Macdonald of Tradeston:*** Are there any technological changes in progress that would reduce the amount of energy that will be used by the digital screens?
Mr Scott: You are getting into an area which is beyond my competence, I am afraid.

Q63 ***Lord Maxton:*** So if you have a television and a box you have two power uses.
Mr Scott: Yes.

Q64 ***Lord Maxton:*** But if you have an integrated Freeview television does that use less power than the two boxes combined?
Mr Scott: I am afraid I do not know the answer to that question.

Q65 ***Lord Gordon of Strathblane:*** You mentioned that you have been able to cope with the request from DCMS and Ofcom to accommodate HDTV. Do I take it that that will become available to each area as switchover occurs?
Mr Scott: Broadly you are right. From switchover regions from now on those services will be introduced at that time. In addition to that there are some areas which will get the HD services before switchover. So London, for instance, will be getting HD services this year on Freeview, although switchover is not until 2012. This is a BBC-led project but my understanding is that about half of the country will be able to receive Freeview high definition services this summer, 2010.

Q66 ***Lord Gordon of Strathblane:*** Since you have just completed Granada people in Granada can receive HD terrestrial?
Mr Scott: The Winter Hill transmitter at the point of switchover in December was enabled for HD, yes. Part of the issue is that the consumer equipment required to receive HD is only just coming to the market now. Transmission services from Granada onwards will carry HD services at switchover.

Q67 ***Lord Gordon of Strathblane:*** Is there not a danger that your very success in accommodating the Government's desire might lead them to say, "Could you manage 3D at the same time while you are at it?"
Mr Scott: Nobody has mentioned that; you are the first!

Q68 ***Lord Maxton:*** Part of the inquiry is the switchover to digital radio. Clearly when you switch to digital Freeview television you actually get radio stations on your television that you did not have before. Has that been part of the equation? Do you think that people have been drawn to it?
Mr Scott: I think that some people do enjoy listening to digital radio services through a Freeview box or through an IDTV. Is that a major part of what we are doing now? We are really focusing on television analogue switch-off and making certain that people can receive television afterwards.

Q69 ***Bishop of Manchester:*** Can I just return to the Help Scheme. I entirely understand the reasoning behind the point that there should be assistance only on one television in each home. On the other hand, I am sure we can all think of or know of situations where you have an elderly couple, each of whom is over 75; one of them is permanently bedridden and needing quite a lot of care and requires to have a television. But the other person who is also over 75 actually needs a bit of space and has, in a sense, equal needs of a different kind. I can see that in that sort of situation that there are powerful arguments for saying that each of them should be able to qualify for the kind of help the scheme gives. Has that been addressed at all?
Mr White: If one of the televisions in the home is already converted by the householder we will convert the television in the bedroom; so we would go in and convert one TV.

Q70 ***Bishop of Manchester:*** That is not quite what I am asking.
Mr White: We will go in and help if they have converted one. The scheme does not allow me to help on any more than one television per household, so it is a matter of policy. Because the conversion generally, even within this eligible group, is quite high we do not come across many of those cases and actually what we are finding is that there are a significant number of households in this group with still one television. So we have not come across a particularly significant issue with that.

Q71 ***Bishop of Manchester:*** I can see that if that situation were to arise—and I suspect it is actually quite considerable in the background—there appears to be plenty of money in the kitty which could cope with it.
Mr White: We do talk to eligible people whom we have served; we do customer feedback; we listen to the phone and we do pass back trends to the DCMS if we spot things that could help. However that is not something that we have picked up.

Q72 ***Baroness Howe of Idlicote:*** I was wondering if you had given some thought to the Equality Bill going through Parliament because carers, who clearly would fall into this category, could well be listed as a recipient of what you are doing. So have you looked at that at all?
Mr White: The Scheme Agreement is very clear on who is eligible and not, and we comply with the Scheme Agreement in that.

Q73 ***Baroness Howe of Idlicote:*** But it might make it something on which you could spend some of your money quite quickly and easily.
Mr White: We do spend a lot of time talking to the eligible people before we serve them and afterwards, and if we spot issues we do feed them back; but that is not something that we have particularly picked up.

Q74 ***Chairman:*** The surplus appears to be being spent several times over by different government departments, committees and goodness knows what. Let me ask a final question. Just to sum up, Mr Scott and then Mr White; just give us your overall impression on how the process has gone and whether you regard it as successful.
Mr Scott: So far we are 18 per cent of our way through this process but all the indications are that the digital television switchover project is on track and will conclude on time, and will be well within its budget.
Mr White: I am content with how the Help Scheme is delivered and I believe that take-up seems about right and appropriate. I think that the hard to reach are hard to reach and we are putting a lot of effort in to reach them. We are not complacent and we can always do better, but I am generally content about how we have done so far.

Q75 ***Chairman:*** One thing that you have made absolutely clear is that you had no part yourself in the prediction of what the take-up was going to be.
Mr White: I have been predicting since I took over in May 2007 and forecasting based on take-up, but not before then, no.
Chairman: Thank you both very, very much for coming. You have given very clear evidence, and perhaps if we have other questions we might write to you. Thank you again for coming this morning.

Supplementary memorandum by Digital UK

The Committee would welcome further evidence from Digital UK on:

1. *What work Digital UK is doing to resolve the issue of regional overlap—we heard from you that this is a fiddly problem but solvable. In this morning's evidence session with consumer groups, we heard that someone in the Granada region has switched over to a Sky package due to ongoing problems with having to frequently retune in order to stop receiving transmissions from Wales.*

Terrestrial TV signals, whether analogue or digital, have always overlapped in parts of the UK, and it's normal for people in some areas to be able to receive more than one regional service. Where this occurs with Freeview, TV equipment will usually load more than one version of a channel and some viewers may find that their preferred services appear further down the channel list.

Regional overlaps are generally solvable. Freeview viewers can use the "favourites" facility on their remote control to prioritise preferred regional services or manually retune their equipment to bring their preferred channels to the top of their electronic programme guide. Digital UK provides detailed advice on retuning on 08456 505050 and online at digitaluk.co.uk/retuning.

Whilst a manual retune can resolve the problem, some viewers do not find that process particularly easy, as it requires them to identify and input the relevant frequency numbers. The positive is that it can be done in a few minutes.

Inevitably, some viewers would like more channels and prefer alternative technologies. Satellite and, where available, cable provide equally valid alternatives to terrestrial TV signals (Freeview) and Digital UK is committed to platform neutrality. Freesat from Sky and from the BBC and ITV offer subscription-free alternatives and hundreds of channels. The consumer, not Digital UK, chooses the right platform for him or herself.

2. *Evaluation of Granada Switchover—has DUK conducted an evaluation yet? What are the findings? If not when will an evaluation be conducted?*

Digital UK undertakes an evaluation of all transmitter switchover projects three months after they conclude. This includes an assessment of the strengths and weaknesses of the public information campaign and independent qualitative and quantitative research into the consumer experience. The Granada report will be available in April 2010.

3. *Paragraph 25 of the following paper highlights areas under review by Digital UK: http://www.communicationsconsumerpanel.org.uk/DSO%20Background%20Paper%20March%2 009.pdf. What is the progress on these areas under review?*

Digital UK published a report on the switchover of the Whitehaven transmitter in April 2008 in which this paragraph occurred. (It has been followed by a report on the Selkirk transmitter group in the Border TV region in February 2009 and will in due course be followed by a report on the Granada switchover.) To take the Whitehaven points referred to in Para 25 above:

— *The two stage switchover and transition period.* Digital UK has undertaken an extensive research and consultation process which terminates shortly. The recommendation—shortly to be considered by the Digital UK Board—is to continue with a two stage process in the interests of the small but potentially vulnerable minority of viewers who leave preparations for switchover until the last moment.

— *Explanation of channel line-up.* Digital UK has elevated public information concerning Freeview channel line-ups (approximately 15 channels from the relay transmitters, covering less than 10% of the population as against approximately 40 channels from the main transmitters covering 90% of the population) in all its publicity and information. Criticism of the binary variation in channel line-ups on the Freeview platform has abated although not disappeared entirely. Viewers of relay transmitters who want more than 15 channels have a choice of Freesat, subscription satellite and cable services.

— Consultation between landlords and tenants. Digital UK emphasises the importance of thorough consultation of tenants by landlords prior to the upgrading of or installation of new television reception systems in rented properties and social housing. The overwhelming majority of landlords are preparing for switchover in good time and consulting their tenants appropriately.

— Explaining the value of the Help Scheme. The Help Scheme is responsible for informing eligible consumers and the wider public of the benefits of the Help Scheme. Digital UK supports the Help Scheme by conducting its advertising, and is working with the Scheme to ensure that the benefits of the Scheme are articulated clearly, compellingly and consistently across all above the line and below the line communications. Digital UK notes that public understanding of the Help Scheme has improved since April 2008.

4. *We heard from the consumer panel this morning that DUK are very good at modifying the communications campaign in light of the Consumer Expert Group feedback—what changes have been made?*

Digital UK has consulted with the CEG on its communications plans from the beginning and took on board the advice given from the group. The CEG plays a valuable role as a critical friend of Digital UK and the Switchover Help Scheme.

The Group commented extensively on research results and draft campaign materials to help ensure that the communications were clear and accessible, and that alternative formats were available where appropriate. Representatives from the CEG also attended specific working groups on housing, consumer protection and communications and advised at an early stage on the development of materials for charities and the voluntary sector. The Group encouraged Digital UK's pioneering collaboration with the charity and voluntary sector through Digital Outreach Ltd.

5. *A further explanation of what Digital Outreach does and whether any work is being done to improve the links between the Help Scheme and Digital Outreach.*

This point is mainly directed towards the Help Scheme, which will doubtless provide its own response. For the record, and as the originator of the relationship with Digital Outreach and the Third Sector, Digital UK offers the following summary of the objectives and services provided to it by Digital Outreach.

Digital Outreach Ltd is a not for profit company specially created by Age UK and Community Service Volunteers to raise awareness and understanding of digital TV switchover and the Help Scheme for eligible individuals amongst potentially vulnerable consumers and citizens. Digital UK and Eaga PLC for the Switchover Help Scheme have complementary contracts with Digital Outreach.

Digital Outreach manages:

1. National, regional and local community outreach
2. Information mailings to local charity and voluntary and community sector networks.
3. Training for local charity and voluntary sector staff and volunteers
4. A rolling programme of presentations, meetings and one-to-one activities advice
5. The allocation of a small grants programme funded by Digital UK for local charities and community organisations to facilitate switchover-related activities and events.
6. Switchover Advice Points and related activities at the time of switchover

16 February 2010

Supplementary letter from Mr Peter White, Chief Executive, Digital Switchover Help Scheme

During my appearance before the House of Lords Select Committee in Communications on 20 January you asked whether the estimate of Help Scheme take up was based on advice from the Department for Work and Pensions and I undertook to write to you with the answer.

As we have not recorded in our subsequent written evidence to the Committee, the forecast of take up for the Scheme was set by the Department for Culture, Media and Sport in consultation with the BBC and in the light of detailed independent research in January 2006 by Taylor Nelson Sofres as to the propensity of people to take up help under the Scheme. We understand that their estimate was also informed by information about the take up of benefits from the Department for Work and Pensions and input from the Central Office of Information, and local authorities as to their experience of analogous schemes in other areas.

I hope that the Committee will find this reply helpful.

11 February 2010

Memorandum by Digital Radio UK

Executive Summary

- Radio must go digital if it is to compete for consumers' time and remain relevant in the future media environment.
- All sectors of the UK radio industry (Commercial Radio, Community Radio and the BBC) support digital radio upgrade as outlined in Digital Britain and as facilitated by the Digital Economy Bill.
- Digital Radio offers valuable benefits for listeners including more choice, easier use and greater interactivity.
- The status quo, whereby the industry is bearing the dual cost of analogue and digital transmission, is unsustainable. In addition, the analogue spectrum is full and offers the industry no opportunity to grow.
- As larger stations move to digital, there will be a spectrum dividend for small and community radio stations that choose to remain on FM.
- The industry is united in its resolve to address the challenges ahead (including expanding coverage, getting digital into more cars, cost of sets, consumer communication and providing new content and services).
- Although the different sectors of the radio industry have different bases for their relationship with listeners, everyone is completely focused on the need to ensure the digital radio upgrade is genuinely consumer-led. No-one will be left behind in the move to digital.

Background

1. Digital Radio UK has been formed by the UK radio industry to ensure that the UK is ready for digital radio upgrade. It represents 95% of the UK radio industry and has the backing of the BBC, Commercial Radio companies and the multiplex operator Arqiva. Its board also includes representation from radio and car manufacturers and works closely with retailers, consumer groups, Government and Ofcom. Its chief executive is Ford Ennals, former CEO of Digital UK, who joined the company in January 2010.

In this written evidence we address:

- the UK radio industry's support for the move to a digital future for radio;
- how the switchover process will work;
- the benefits of digital radio;
- why radio continues to need a broadcast platform;
- why DAB is the right choice for the UK;
- the minimal environmental impact of the move to digital radio; and
- the work being done by the radio industry to address the challenges ahead in relation to coverage, cars and the costs of sets.

The UK Radio Industry Supports the Move to a Digital Future for Radio

2. We start from the position that, with most media platforms around the world transforming the way they operate, it is inconceivable that radio can remain predominantly an analogue medium. We therefore agree with the Digital Britain Report when it said "If radio is to compete in a Digital Britain then it must have the flexibility to grow, innovate and engage with its audience, and in this, the limits of analogue, as the primary distribution platform for radio, are now all too visible".

3. The Digital Economy Bill contains provisions to enable the transition from analogue to digital radio. All sectors of the industry support this transition and the benefits that digital radio will deliver:

- The upgrade to digital radio will transform the listening public's experience of radio. Consumers will enjoy clear digital sound, more services and great innovations in interactivity.
- The upgrade will also remove barriers to growth for the UK radio industry and provide opportunities for community and small local radio stations by giving them more access to FM.
- The upgrade will ensure the UK remains at the leading edge of innovation in radio and encourage continued investment in engineering, manufacturing and retail jobs linked to the sector.

How the Switchover Process will Work

4. The UK radio industry has been investing in both digital and analogue radio for almost 15 years. It has done so at great cost to both private and public companies, as well as the BBC licence fee payer, and with no clear sense of when the bill for dual transmission—in both analogue and digital—will end. For the commercial sector in particular, this has impacted on companies' ability to invest in services and content, which would otherwise have been of clear benefit to consumers.

5. We believe we are now at an important crossroads whereby UK radio must choose to remain in an analogue world, or drive towards a digital future. We strongly believe it is right to invest in a digital technology with room to grow rather than an analogue one that has reached the limits of its possibilities.

6. To that end, all of those involved in Digital Radio UK warmly welcomed Digital Britain's indication of a target date for switchover (for national and larger local services) of 2015. This proved to have a critical galvanising effect within the radio industry itself, as well as within manufacturers and the motor industry.

7. However, we agree that the UK is not ready to announce a date for switchover now; there remains too much work to be done and too many issues to be resolved. Instead, we agree it is right that the setting of a switchover date should depend on criteria regarding coverage and listening being met. Consumers having access to and then subsequently choosing digital should be the driver of digital switchover.

8. We note that the Digital Economy Bill allows for different services to switch to digital on different dates. We support this flexibility, recognising that it could allow a staggered switchover to deal with, for example, differing rates of take up in different parts of the country.

9. The first of the criteria set out in Digital Britain was that a switchover date should not be set until national DAB coverage is equivalent to FM and local DAB coverage reaches 90% of the population.[1] (The Government recently reaffirmed this in the Second Reading of the Digital Economy Bill). However, Government and industry are clear that switchover itself will not happen until digital radio coverage matches FM. As we note later in this submission, new transmitters continue to be added to the digital transmission network on an almost weekly basis. Further technical planning is also well advanced to continue the extension of geographical coverage of digital, and to enhance the signal quality.

10. The second of the criteria is inextricably linked to the industry's commitment to build out coverage: before a switchover date is set, 50% of listening must be to digital services. Without coverage improvement, listening will not grow to the levels required. However, the industry also recognises the importance of investing in new content and services to increase the attractiveness of the digital radio consumer proposition. The knowledge that the end of dual transmission costs is in sight, as signaled by the switchover plans, will aid investment in the type of content that will encourage people to listen to more digital radio.

11. Digital Radio UK is focused not simply on ensuring that no-one is left behind by digital radio upgrade, but on ensuring that everyone benefits from it.

A Digital Future will Deliver Important Benefits for All

The greatest benefits from the digital radio upgrade will be for the listening public

12. Even now, wherever you are in the UK, you can receive more stations on digital radio than on analogue. Services such as BBC 7, Jazz FM, FiveLive Sports Extra, FunKids, Asian Network and Planet Rock are only available on digital and are just a glimpse of what will be available in the future. The additional capacity offered by digital radio is important because the FM signal is full—the upgrade to digital is the only way to deliver more station choice.

13. Digital radio also offers an enhanced listening experience. Independent surveys show that 76% of listeners think the sound quality of digital radio is as good as or better than FM. There is less interference, less crackle, and no need to retune when moving around the country.

14. Digital radio also offers more interactivity and functionality for consumers. Listeners already enjoy being able to tune into stations by name rather than frequency and the ability to pause, rewind and record. The future of digital radio includes the possibility of watching your favourite band whilst you listen to their music, ordering a copy of the book being discussed on air, or downloading a personalised travel report from your local station to your car radio, and these are just some of the possible innovations digital radio will offer.

[1] It is appropriate that the final 10% of local coverage could be completed during the period between setting a date and achieving switchover: this final 10% of local coverage will be the most expensive to build out, and it is appropriate to minimise the period during which the industry has to bear the dual cost of sustaining FM transmission and completing the digital coverage map.

The upgrade will benefit all sectors of the UK radio industry

15. Currently, the UK radio industry is supporting two transmission systems: FM and Digital. This is unsustainable for the private sector and does not offer best value to the licence fee payer. The digital radio upgrade would allow the industry to focus on investments in the content and radio services that consumers want. It will also allow radio to maintain its appeal to advertisers and compete more equally with other digital media.

16. A digital radio future will also be cheaper than the status quo. Although there is a cost to expanding and enhancing digital coverage, staying on analogue would require similar investment as the AM and FM national networks will soon need renewing. And once digital radio upgrade is complete, the whole industry will save the costs of analogue transmission, freeing more funds for investment and growth.

17. A digital radio industry will also be a more competitive radio industry, as more commercial stations gain the ability to transmit nationally and therefore compete more effectively with the BBC.

There will be particular benefits for smaller stations

18. Freeing up the FM spectrum will create more room for those stations that choose to remain on FM, allowing community and small, locally run radio stations to develop.

19. As national and larger stations migrate to digital, there will be more space on FM for new Community Radio services to launch, particularly in metropolitan areas where there is likely to be significant demand for new stations. Existing stations will also benefit from the possibility of improved signal strength. The benefits will also extend to hospital and student radio who may have previously suffered as a result of analogue spectrum scarcity.

20. Therefore, as a result of digital radio upgrade, there will be a sustainable platform for the continued existence and development of community and local analogue radio.

There are benefits to the whole UK economy

21. British radio has always been at the forefront of innovation and is the envy of the world. The digital upgrade will ensure this remains the case, cementing the future of radio as a much loved part of British life.

22. The upgrade will also secure high value engineering and manufacturing jobs in the British companies that lead the world in digital radio sets, such as Pure and Roberts, and support companies ranging from design studios to retail outlets.

Radio Needs a Broadcast Future, although Other Platforms, including Internet Radio, will be Important

23. There are, of course, many ways of listening to radio 'digitally', including via a digital television and on-line. Undoubtedly, as broadband penetration increases, internet radio will become increasingly popular. However, even with broadband penetration currently at 70%, listening to internet radio only accounts for 2% of all radio listening, and with digital television now in 90% of homes, listening via digital televisions accounts for 3.6% of radio listening.

24. Undoubtedly, both platforms will have a place in a digital future, but both have severe limitations if radio's unique characteristics of ubiquity and mobility are to be retained. We discuss this further in the Technical Appendix to this submission.

DAB is the Right Choice for the UK

25. The UK uses the DAB digital radio standard, part of the Eureka 147 family of standards. Other members of the same 'family' include DAB+ and DMB. Worldwide, countries are increasingly choosing one or other of the DAB family of formats, ahead of other digital broadcast technologies.

26. The UK, alongside Germany, China, Denmark and others, uses the DAB format, while Australia, Italy and Switzerland use DAB+. France is planning to adopt a version of DMB used in South Korea. However, an international agreement signed earlier this year means that all digital radio technologies within the DAB family will be receivable by one standard radio chip (known as "Profile 1"), making it easier for both consumers and manufacturers.

27. It is true that many countries who are moving to digital now, are choosing DAB+ (a recent development of the DAB family of standards) but this does not mean that DAB is outdated or unusable. Digital radio technology is constantly advancing and this is to be welcomed. Other sectors also experience this:

— Today's top-of-the-range PC will quickly be followed by an enhanced (and probably cheaper) model, but this does not mean that all previous computers are defunct.

— Similarly, Freeview does not use the most up to date version of digital TV technology, but it works well, is popular, and has delivered enormous benefits for consumers.

28. The potential benefits to UK radio listeners of DAB+ would be relatively marginal, while it would have a significant disadvantage as the vast majority of the UK's 10 million DAB sets would become obsolete. (Please see the attached Technical Appendix for more details)

29. However, DAB+ is compatible with DAB and, at a later date, DAB+ could be introduced seamlessly alongside existing DAB services.

The Upgrade to Digital will Not have a Significant Environmental Impact

30. We expect that many people will choose to convert their analogue sets to digital, and the process of disposing of those sets that people do want to replace will be managed carefully to ensure minimal environmental impact.

31. Many people will not want to get rid of their radios, and will instead want to convert them to digital. Adaptors are being planned for this and we expect such devices to be available very soon, at an initial price of around £50, though prices will inevitably fall as we have seen with other digital devices, such as Freeview boxes. FM radios that don't have a converter will still be able to receive community and small local radio services on FM.

32. It is also important to remember that many of the 'radio sets' that exist are embedded in other devices, such as CD players or mobile phones, and therefore these will not need to be disposed of as they have other uses that will continue. We believe all of these considerations will mitigate the understandable concern there has been about what will happen to the 46 million radios currently in use in homes across the UK.

33. But perhaps most importantly, digital radio upgrade is at least six years away, giving consumers a long period of time over which to replace their analogue sets with digital ones. The Government's announcement of a target date for the digital radio upgrade has therefore been very important in allowing consumers to make informed decisions when buying new radio sets, and to plan their investment in digital radio equipment.

34. For those people who do want to replace their radios, the environment impact will be minimised through responsible disposal and recycling. Recycling facilities for electronic goods is already required by existing legislation in the form of the Waste Electrical and Electronic Equipment (WEEE) Directive.

35. The digital radio sets coming on to the market today are far more energy efficient than earlier models with performance having improved by around 75% in the last five years.

36. Many of the radios made by British company Pure are recommended by the Energy Saving Trust and operate on less than a quarter of the energy used by a low energy light bulb. A recent study found that, based on typical radio usage, an energy efficient digital radio costs just £1.20 a year to run and, if the set is turned off rather than left on stand-by when not in use, that drops to 50p a year.

37. Battery life is also improving dramatically. Roberts recently assessed the energy consumption of comparable analogue and digital radios. They found that the analogue radio used six batteries and lasted 40 hours, whilst the digital radio used four batteries and lasted 99 hours.

The Industry is Addressing the Challenges that Lie Ahead

Improving coverage

38. Digital radio already has wide coverage. National commercial digital services (including Classic FM, Absolute Radio, TalkSPORT, PlanetRock, Premier Christian Radio, BFBS and Amazing Radio) and national BBC digital radio stations (Radios 1–7, 1Xtra, Asian Network and Five Live Sports Extra) reach almost 90% of the population. In addition, around 80% of the population can already receive local and regional stations on digital.

39. The radio industry is committed to extending this, and we agree that the digital radio upgrade should not take place until digital coverage matches that of FM (FM reaches 98 % of the population).

40. In order to improve the coverage the industry is investing in new infrastructure; new transmitters are being put in place every week and further expansion in coverage is being planned. For example, last month the BBC turned on a new transmitter in Oban, providing coverage to the town and the eastern tip of the Isle of Mull (adding around 10,500 people to the coverage of the network). This was the BBC's first transmitter on the west coast of Scotland and will be joined next month by one for Fort William. The BBC also launched a transmitter in Rhondda—providing coverage to the northern end of the Rhondda valley, including Tonypandy, Pentre and Treherbert. This completes the BBC's current expansion in the Welsh valleys with a total of eight transmitters in the area (adding 250,000 people to the coverage of the network).

41. Although coverage in-cars has also increased significantly in recent years and now extends to all major motorways and A roads, as well as many B roads, investment will ensure this continues to improve ahead of the digital radio upgrade.

42. In addition, the industry is redefining digital radio reception standards. Until now, digital has been a complementary platform to analogue, and the focus has been on maximising the geographical reach of digital signals. However, in order to switch to digital the industry will meet new higher standards of coverage, enhancing signal strength, as well as further expanding geographical coverage. This will lead to better reception in homes and in cars.

Getting Digital Radio into more cars

43. The digital radio future promises a much improved in-car experience for drivers, with a standard of sound quality and station choice that analogue is unable to deliver. In a digital future, drivers will no longer have to retune their radio as they move from one area to another, and will have new and personalised information sources available to them to assist them on their journey.

44. Digital radio can deliver far more data than FM and work is underway to incorporate digital radio chips into other in-car technologies. A digital future could see drivers swapping in-car entertainment systems for in-car information systems with customised and in depth information for drivers. This could include real time traffic updates, local weather information, hazard warnings, and even information about nearby petrol stations or spaces in local car parks.

45. An increasing number of cars already have digital radio. The number of cars coming into the market with digital radios as standard is increasing dramatically, and a recent summit with the motor industry underlined their support for radio's digital future. Ford now fits digital radio as standard on all medium and top range vehicles and Vauxhall has announced that digital radios will be available across its entire range by 2013. In fact, 15 car manufacturers from Audi to VW already fit DAB as either standard, or an optional upgrade for as little as £55. Importantly, there is now agreement on a pan-European standard for digital radios, meaning manufacturers will be able to fit one digital radio set into cars, safe in the knowledge that it will work in different countries.

46. There is also an emerging range of small and effective conversion devices on the market costing around £60, and the cost will reduce as more come to market over the next few years.

47. Progress is encouraging especially since it is only a matter of months since the Government's official announcement about the digital radio upgrade. But the radio industry knows that a lot more needs to be done. We are working closely with car manufacturers, their representatives and the Government to ensure that, by the time we upgrade to digital radio, anyone who wants to can have digital radio in their car.

Cost and usability of sets

48. The cost of digital radio sets continues to fall. Whereas early sets cost over £600, as demand has increased and digital services have become more widespread, it is now possible to buy a simple set for around £25. As with the transition to digital televisions, we expect prices to fall even further as switchover draws nearer and demand for sets increases.

49. For the overwhelming majority of consumers, we believe the investment they make in new set(s) will be more than offset by the improvements in the listening experience, more interactivity and new services. However, we recognise that there are vulnerable groups who may need assistance. The transition to digital television has been accompanied by a help scheme for elderly and disadvantaged people. As part of the impact assessment that will be conducted into the digital radio upgrade, Government has committed to assessing the need for a similar plan for digital radio. The radio industry will work closely with consumer groups and government to define such a scheme as the start of the switchover process approaches.

50. Digital Radio UK recently announced it will be working work with receiver manufacturers to develop an integrated station list that will enable listeners to select stations by name whether they are on FM or digital, and tune seamlessly between FM and digital frequencies. This will ensure that local commercial and community stations which stay on FM, along with new services launching on newly vacated analogue spectrum, remain as accessible to listeners as those stations that have migrated to digital only.

51. The overwhelming majority of digital radios currently available include FM as well as digital tuners, and the aforementioned "Profile 1" international digital radio standard already requires all digital radios to include FM.

In Conclusion

52. It is clear that radio must move decisively into the digital age. Doing so will bring important benefits for consumers and will enable radio to retain its place at the heart of British daily life. However, Digital Radio UK is clear that the transition must be a carefully managed one: consumers must be at its heart, and that is why we agree that criteria around coverage and listening should be met before a switchover date is set. In order to achieve these criteria, the radio industry (along with manufacturers, the motor industry, retailers etc) will have to work hard, but we are ready for this challenge. We know that, for everyone involved, the prize will be worth the effort.

February 2010

TECHNICAL APPENDIX

Internet Radio

1. The radio industry recognises the importance of internet radio, and has recently announced the UK Radioplayer, a new way for listeners to get the best out of up-to 400 of the UK's national, local, community and student radio stations online, and which will be launched in 2010 (subject to regulatory approvals).

2. But important as it may be as a complementary platform, internet radio is wholly unsuitable as a primary platform for radio. Firstly, it is not free at the point of use, secondly it is not mobile and thirdly, it cannot support the levels of simultaneous listening that takes place to UK radio. For example, at 8am on a typical morning, 17m people are listening to the radio but the UK's broadband network could support less than a quarter of this, even if no-one was using the internet for anything else at all, and the costs for both the radio industry and ISPs would be prohibitive.

3. The additional environmental costs of running and listening to internet radio reinforce that it would not be a suitable primary platform for radio.

DTT

4. DTT, Digital Terrestrial Television, gives another way for listening to the radio, already accounting for 3.6% of radio listening. However, household penetration is high (at 90%) and so relative to this, the radio listening delivered by DTT is low.

5. This is undoubtedly due, in part, to the fact that television is atypical of how radio is consumed. Most radio consumption is "secondary" in that it takes place when listeners are doing something else eg having a shower, making a meal, driving a car, and televisions do not exist in the locations of these activities.

6. DTT is also severely capacity constrained, with limited space on EPGs and no means of getting even the majority, let alone all, radio services onto the platform.

7. However, DTT undoubtedly has a role to play. It is already clear that, for some people, listening to the radio via their TV is an attractive option, particularly where it allows them to access services not available via their existing (analogue) radio. In addition, it may be a solution in some extremely remote areas where even FM radio does not reach.

DAB is the Right Digital Radio Broadcast Choice for the UK

8. The UK uses the DAB digital radio standard, part of the Eureka 147 family of standards. Other members of the same "family" include DAB+ and DMB. Worldwide, countries are increasingly choosing one or other of the DAB family of formats, ahead of other digital broadcast technologies.

9. The UK, alongside Germany, China, Denmark and others, uses the DAB format, while Australia, Italy and Switzerland use DAB+. France is planning to adopt a version of DMB used in South Korea. However, an international agreement signed earlier this year means that all digital radio technologies within the DAB family will be receivable by one standard radio chip (known as "Profile 1"), making it easier for both consumers and manufacturers.

What is DAB+

10. DAB+ is an upgrade to the Eureka 147 standard. DAB+ uses exactly the same transmitters and broadcast technology as DAB, it simply converts sound to digital in a different way (via a different type of codec).[2] A DAB+ signal can be transmitted alongside existing DAB signals, using the same network infrastructure. However it cannot be received by first-generation DAB receivers.

11. Specifically DAB+ consists of:

— a more efficient audio codec (HE-AAC v2, or AAC+) than that used in DAB transmissions (MPEG 1 Layer II);

— the MPEG Surround audio format; and

— improved error correction coding.

There would be no significant benefits from a move to DAB+ at this point

12. The main benefit offered by a move to DAB+ at this stage would be additional capacity on multiplexes. This could mean more services could be added. However, there is no immediate need for any additional spectrum for digital radio at this stage. It is true that some local multiplexes are full and, as a result, some local analogue services cannot move to digital. However, the industry anticipates this problem will be addressed as part of the re-planning of local DAB (note, this re-plan requires Clause 35 of the Digital Economy Bill).

13. Some supporters of DAB+ also point to the improved "error correction" which can help with coverage problems, especially in marginal coverage areas. However, in order to take advantage of this feature, multiplexes would have to transmit fewer services, thereby all but negating the additional capacity offered by DAB+.

14. It is true that many countries who are moving to digital now, are choosing DAB+ (a recent development of the DAB family of standards) but this does not mean that DAB is outdated or unusable. Digital radio technology is constantly advancing and this is to be welcomed. Other sectors also experience this:

— Today's top-of-the-range PC will quickly be followed by an enhanced (and probably cheaper) model, but this does not mean that all previous computers are defunct.

— Similarly, Freeview does not use the most up to date version of digital TV technology, but it works well, is popular, and has delivered enormous benefits for consumers.

15. The potential benefits to UK radio listeners of DAB+ would be relatively marginal, while it would have a significant disadvantage as the vast majority of the UK's 10m DAB sets would become obsolete.

DAB+ could be introduced in the future

16. However, DAB+ is compatible with DAB and, at a later date, DAB+ could be introduced seamlessly alongside existing DAB services. Crucially, nothing in the legislation prevents the industry moving to DAB+ in due course, if this is felt to be the right thing for listeners as well as the industry. Similarly, all the work being undertaken by the industry, including the promotion of the "Profile 1" digital radio chip, enables such a move in due course.

[2] A "codec" is the means by which audio is converted into data.

Witnesses: **Mr Ford Ennals**, Chief Executive, Digital Radio UK and **Mr Barry Cox,** Chairman, Digital Radio Working Group, examined.

Q76 ***Chairman:*** Welcome and thank you very much for coming this morning. As you know, what we are doing is starting to look at the whole digital switchover process and we have just been taking evidence as far as television is concerned and now we would like to take some initial evidence as far as radio is concerned. This is very much our first session so we will be asking some fairly basic questions at this particular point. Could you just tell me, first of all, what was the background to the establishment of Digital Radio UK?
Mr Ennals: Digital Radio UK was born out of the consultation work, led by Mr Cox here, for the Digital Radio Working Group and also the Digital Britain Paper. Both groups identified the value of having a single body responsible for the development of digital radio within the UK and also for planning and managing a potential future digital radio switchover. So Digital Radio UK represents the industry; our shareholders are the BBC, all of the main commercial radio stations; the transmission company Arqiva. We have on our board representation from manufacturers in the trade body Intellect, and also from the car manufacturers in terms of the SMMT trade association. So what we do is really represent the industry, but also we are an action group. I should say that Mr Cox and I were a double act that came together for Digital UK on the TV switchover, where Barry is still Chairman and I was Chief Executive of Digital UK. So what this does is to give us an opportunity to take the learning from the TV switchover and bring it to radio switchover.

Q77 ***Chairman:*** Does the establishment of Digital Radio UK therefore mean that radio switchover will now definitely go ahead?
Mr Ennals: No decision obviously has been made about that point. The Bill that is currently being viewed in the House at the moment is a piece of enabling legislation. It would make it possible, six years hence from now, for a switchover to happen but only if the right and appropriate conditions were met in terms of both the share of listening, in terms of the build-out of the coverage; and also I think after wide consultation with all of the key stakeholders.

Q78 ***Chairman:*** We look at it not from the point of view necessarily of the industry but from the point of view of the public, the consumer, the customer and the person who wants to buy his radio set. Does that not cause a great deal of uncertainty and is that not part and parcel of what you are saying?
Mr Ennals: I think it is the contrary, with respect. On the TV switchover what galvanised the market and the industry and also benefited the consumer was the certainty of a digital future for television, and I think what we are talking about is securing a digital future for radio because we know what that will bring about is innovation, competition and choice, and also a reduction in prices both in terms of the equipment that the customer buys but also in terms of the transmission costs that the industry sees. What the Digital Britain Paper does and what the Bill seeks to do is to provide a roadmap for a digital future for radio and we think that that is in the interests of not just the industry but particularly of the consumer.

Q79 ***Chairman:*** But we do not know what the future is going to be. We do not know if there is going to be a total future. You have both come from the television switchover area, but we do not know whether that is the destination.
Mr Ennals: What the industry is saying—the broadcasters, the manufacturers, everyone involved—is that they really do believe that digital is the future of radio. We know that consumers who have digital radios love the listening experience and the functionality and we know that that is where the growth in the market will be. What the industry is also saying is that there is a desire and determination to extend the coverage of digital radio in this country. At the moment 80 per cent of people can receive the BBC digital services that are broadcast.

Q80 ***Chairman:*** How many?
Mr Ennals: Twenty per cent in home cannot receive them and as an industry we fervently believe that we should build out digital coverage to the same extent that FM is today, and we also believe that we need to provide a more robust signal in key areas so that we get the best possible listening experience. The industry is committed to following that path. At the same time we want to significantly improve the choice and the range of channels and stations available on digital; and at the same time we want to enable consumers to have more platforms on which they can get digital radio. So we are not just talking about DAB radios, we are also talking mobile phones and the Internet as well. We feel very strongly that this is the future, it is the future we have seen on television very successfully; it is the future we have seen on mobile phones and on the internet. So I think that radio very much wants to be part of that direction.

Q81 ***Chairman:*** Everything you say sounds to me as if you are working towards trying to get the public, the consumer, to work towards switchover and a switchover date.
Mr Ennals: I apologise if that is the impression I am giving. What we are saying is that we are working towards the expansion and development of digital radio because we think that that is in the interests of the consumer and in the interests of the industry. It will only be for the Government to decide if there is

a requirement to switch off the AM band and to reallocate channels as they move from FM to digital. That was put forward in the work that Mr Cox led and in Lord Carter's paper. What we are saying at the moment is that the first step is for us to develop digital, to monitor consumer reaction, to monitor take-up, monitor listening, working with Ofcom and Government, and then provide a situation where in two to three years' time the Government can review this and make a clear policy decision.

Q82 ***Chairman:*** So we do not expect a clear policy decision until two or three years' time?
Mr Ennals: That is what is suggested in the Bill and I think that is something we would support. I think that within two years it will be a very good opportunity to stand back and review the development work that has gone on; to talk to customers, to talk to people like the Consumer Expert Group who represent vulnerable and older people; and after that broad consultation then Ofcom, the BBC and Government in two to three years' time will be well-placed to take a future decision.

Q83 ***Chairman:*** If I wanted to buy a new radio and I would go into John Lewis—although that is not a name to conjure with at the moment in Parliament—what would you advise me to do? Do you advise me to take an analogue set, a digital set? It is all up for grabs.
Mr Ennals: I am going to invite my colleague to answer whenever he wants to jump in because I do not want to hog the session. I would strongly advise you to buy a digital radio. The consumer experience is fantastic; the signal is very clear and also the range of channels is greater than you would have just on analogue. I do not know whether the noble Lords have listened to the BBC 7 service, which has wonderful drama and comedy and is a fantastic service.

Q84 ***Chairman:*** Are all the retailers plugged in to this point of view? Are they providing digital in the areas in which it can be provided?
Mr Ennals: What we see is that retailers currently provide analogue and digital sets. We are seeing a shift in the market and what is lovingly called the "kitchen radio", which is predominantly the radio that is sold, the portable radio that we see most used in the home; that now 70 to 80 per cent of that market has shifted to digital because that is what consumers are buying. But today you can still buy analogue radios or digital radios. If you buy a digital radio, it will have FM capability and digital capability.
Chairman: If you buy an analogue radio, you run the risk of being out of date, depending on your area, relatively soon.

Q85 ***Lord Maxton:*** You can buy radios which are both digital and FM.
Mr Ennals: Absolutely, my Lord.

Q86 ***Lord Maxton:*** Of course, you can also get ones which are internet radios as well, working off your wireless system.
Mr Ennals: That is absolutely correct. We see a big development in Wi-Fi radios. They are digital, they receive FM, but they are also Wi-Fi and so they can receive internet stations as well.

Q87 ***Lord King of Bridgwater:*** Lots of us have radios that have lasted for years and years. It seems to me at the moment that you have given some clear advice to the Chairman on what he should do, but how much do people really know what they are doing? People are still selling analogue sets, which people are buying in the expectation that they used to have, that they are buying a radio that will last them for 20 or 30 years, but they may now find that in five or ten years it is no good.
Mr Ennals: The earliest possible date that there might be a switchover would be six years plus from here, so it will be six to ten years away, I believe. We want to be responsible and transparent with consumers, so I think it is important for consumers to understand that there is the potential of a future switchover, so that they are informed when they make their purchase that if they want a long-term item, they are probably better off buying digital, but they recognise that analogue may have only a relatively short-term existence.

Q88 ***Lord King of Bridgwater:*** Are you satisfied that retailers are telling people what the situation is?
Mr Ennals: One of the reasons Digital Radio UK has been set up—and, once again, it was only set up at the end of last year and I have only come on board in the last month—is to really make that happen, to focus on consumer education, consumer understanding and consumer communication. We are already talking to retailers and manufacturers, and when you go into, say, John Lewis the sales assistants need to know the facts and be able to relate that clearly to consumers.

Q89 ***Lord King of Bridgwater:*** That is the most important point, is it not? Is any checking being done to see what the retailers are saying?
Mr Ennals: For Digital UK, Mr Cox and I put in place, on the TV side, a training model for all service staff in stores. We then did a review, a check and an independent assessment, to see that consumers were getting the right advice about TVs. There is a lot of learning from that, which we would want to replicate on radio. Yes, we will be partnering with retailers to make sure they are giving the right advice.

Q90 ***Lord King of Bridgwater:*** Is 80 per cent of the sale of radios in the hands of five big chains?
Mr Ennals: There is a very strong independent sector still in existence. There is probably a balance between the big multiples, the John Lewises and the Currys of this world, and the independents. Increasingly the supermarkets are playing a major role: Sainsbury, Asda and Tesco. It is quite widely spread still.

Q91 ***Lord King of Bridgwater:*** You get five supermarkets and five of the major multiples, and those are presumably your first target, to make sure they are trained and that there is some real impact on them as to what they are telling you.
Mr Ennals: Very much so. We have already set up meetings with John Lewis and Currys and, indeed, with Tesco and Sainsbury. It is interesting—and this is a part of the expectation of the development of the market—that we are now seeing digital radios being sold for £25, so we have seen a fundamental shift in terms of the pricing of the market because of more competition. We saw the same on the TV market.

Q92 ***Lord Gordon of Strathblane:*** Perhaps I could ask this question of Mr Cox. Just to give everyone the overall picture, would you give us a rough estimate of how many digital sets there are in the UK and how many analogue sets?
Mr Cox: There are still more analogue than digital. The share of audience, as I understand it, for digital listening is under 20 per cent. In the report it was 17.1 per cent, and that is a year ago, so it is probably more than that now. I think that 30 per cent of households had digital. I do not have those figures to hand, but I know it is a minority. There is no doubt about that.

Q93 ***Lord Gordon of Strathblane:*** If I volunteer a figure, perhaps you will say if it is roughly right: there are probably ten million digital sets and perhaps 100 million analogue.
Mr Ennals: Perhaps I could add to what Mr Cox was saying. We announced at the end of last year that there were now ten million digital sets having been sold. There were another 500,000 sold last month, so there are now 10.5 million sets out there. Ofcom have done an analysis that suggests there are about 50 million radios actively in use. Numbers vary on this but there are probably twice as many radios in place. There is probably a universe of about 100 million radios. Ofcom believe that 50 million of them are actively being used. They have done the research to suggest that. Within that, you have ten million that are digital. As Mr Cox said, you still have a strongly analogue-biased market and this is very similar to where we sat in 2003 on televisions.

Q94 ***Lord Gordon of Strathblane:*** There is, I might suggest, a vital difference. It is comparatively easy and cheap to convert a television set to digital with a set-top box that you can buy from Tesco for £20. Can you do that to an analogue radio set?
Mr Ennals: I fully expect that there will be low-cost converters available. We were talking to companies which were making these last week, and they are talking about DAB adaptors for about £20 or £25. When the DTT Freeview development started, those products were costing over £100. The market will become more competitive, prices will come down. You can replace your radio for £25 with a digital radio. There will be a burden of cost on the consumer, but it is significantly more affordable than it would have been in the past.

Q95 ***Lord Gordon of Strathblane:*** If it is as cheap to buy a new digital set as it is to buy a converter, there is a fair disposal problem involved in 50 to 100 million radio sets that are good to go to the rubbish dump.
Mr Cox: There is undoubtedly a difference with television because you can keep your old set and put the adaptor on it. I heard what Ford was saying, and it would be useful if some adaptors come on the market, but the likelihood is that many of those analogue sets will have to be disposed of. There are people beginning to think of what they could do with those, in terms of sending them abroad or whatever, but it is undoubtedly a difference between television and radio that most of the sets will not be used again, I suspect.

Q96 ***Lord Gordon of Strathblane:*** I think 95 per cent of the radio industry are with you on this. You will be aware that there is a breakaway move, largely led by UTV, who are fairly vociferous. One of the points I would invite you to respond to is they would argue that DAB itself is outdated technology; that you should be going for DAB plus.
Mr Cox: We looked at this in the Radio Working Group. Indeed, UTV were a member of that group and did not make this point at the time. It is undoubtedly true that we were pestered by quite a lot of people—"pestered" is not a fair word—lobbied by people who said, "You should move on from DAB," and there is a perfectly good case for saying that. On the case for staying with DAB, one very important point is that the key technology, the silicon chips, will be multimedia. They can do DAB, DAB plus, any of the variants that are in the EU radio family. That is of crucial importance for cars. Cars are not going to make sets—and cars are a very big part of the market obviously—unless they have that guarantee that it would be useable for a decent time, even if you either

went to a country which had DAB plus or—as may well happen in this country in a couple of decades' time or even less—we switched to DAB plus. That is perfectly possible and the sets that we recommended that were built are going to be not only for taking FM but DAB and other services if they are turned on in the future.

Q97 ***Lord Gordon of Strathblane:*** For clarification, that is going to be true of digital sets from now on. Is it true of existing sets?
Mr Cox: No. This has only been a recommendation, and I do not suppose the manufacturers have embraced it yet, but you can see that this is trying to be a future-proof, going forward, with what we do.
Mr Ennals: It is interesting that UTV are fundamentally absolutely committed to a digital future. They raise a question on the timescale of that as to what is the appropriate and best timescale. Once again, the Bill does not define a time; it just says the earliest time is in six years' time but it could be beyond that if the conditions are not met. They have asked to be on the Digital Radio UK board, so they are very keen to participate in the development of digital radio. They have talked about how they can maximise the number of stations that move to digital. They are very much in favour of digital. What they are discussing is the different tactics in approach that should be taken

Q98 ***Lord Gordon of Strathblane:*** One of the other points that they allege is that 120 existing commercial stations are going to be left behind and have no digital future. How would you respond to that?
Mr Cox: This did come up in our work. That is why we said that the digital migration—which is the word we prefer to use—would occur for the national services and the major local services, but we absolutely anticipated that both community radio stations and small commercial radio stations would want to stay analogue, would not be able to afford to move to digital. That was laid out clearly. What is a small station has not been decided and it is going to take some probably quite bloody conversations. But there was a recognition that there had to be a future for some very small stations, and not expect them to go digital.

Q99 ***Lord Maxton:*** One of the big differences between television and radio is that the big use of radios is in cars. What sort of progress have you made in getting agreements with the car manufacturers to put these into new cars?
Mr Cox: The motor manufactures were part of the group—quite vociferous on some occasions—but they did not object to the timetable that we laid out. I ought to be clear about this: Digital Britain rather speeded the timetable up. We said we did not believe the Government would be ready until 2015 to say, "Two years' time, 2017, we will have the switch." Digital Britain brought it forward two years, implying that we would know in three years' time that we could make the switch. They may be right, I do not know.

Q100 ***Lord Maxton:*** Your judgment would be that they are not.
Mr Cox: The judgment we made was that the timetable we set out was a reasonable one. Of course, we could fail to make that. That is built in. That is an uncertainty which exists. It is unfortunate, but it is the only way that you can go forward consensually, that you have to meet the criteria before digital transfer happens. You are quite right about the cars: they were happy with that timetable as we laid it out. The great news is that all the European manufacturers are going to move. They have the same problem, because other countries are moving as well of course, and the common chip, thank God, solves the problem which would otherwise have been very, very difficult. In addition, I know there are devices—I have not seen them but I am told they are a bit like SatNav—which you can stick on your windscreen to get digital radio. That is a bit of do-it-yourself by radio manufacturers which the car manufactures do not particularly like, but it is an answer. We can see that new cars being fitted with digital will happen within the timetable we were talking about, and older cars can buy equipment which will enable them to receive digital transmissions.

Q101 ***Lord Maxton:*** Have any car manufacturers started to do this? I believe Ford may be in the process of doing it.
Mr Ennals: Yes. The Car Manufacturer Association, consulting with all of the major car manufacturers, have confirmed that all radios in cars will move to digital as standard before the date. They have agreed that they can do that before the 2015 date. That is good news. They have also asked to be on the Digital Radio UK Board, and they will be.

Q102 ***Chairman:*** You say that they have agreed to move before the date.
Mr Ennals: They have agreed to move before 2015.

Q103 ***Chairman:*** That means that they will go on their own sweet way until 2015.
Mr Ennals: They have agreed that by 2015 they will have moved. They are very supportive of our work on developing and extending coverage, because that is

important for them and they know that is ongoing. This year we know that a leading manufacturer will move its leading model, the best selling car in the UK, to introduce digital radio as standard, so we are beginning to see movement. We tend to find in industry that once a path is set it is going to accelerate rather than delay. Barry is absolutely right, the big issue for us all is to sort out the in-car converter for existing cars, and that needs to be certainly much better than it is. At the moment it is a first-generation type. It is like a SatNav device. Something needs to be done that is seamless, that is behind the dashboard and is cheap and easy to install. That is where effort is being put at the moment.

Q104 ***Lord Maxton:*** I gather that one does require that you have a free FM band on your radio. Anybody who drives any distance knows that the free FM band may suddenly be used up by a station as you drive down the road—which presumably means you would lose your digital—which you used to be able to do with the old iPod transmitters.
Mr Cox: This touches on one of the more interesting problems in this process. We did lay down coverage criteria that the national services, BBC and commercial, should be the equivalent of the current analogue services. The local multiplexes are a problem, because, as you say, when driving around the country that is often the only thing you can get and not one of the ones you want to get. They are more problematic, in that the way they have been set up is not, with hindsight, as sensible as it might have been. We did recommend that Ofcom looked at the structure of the local multiplexes, the ownership and the regulations on them, to try to improve it, to consolidate it where necessary and not allowed at the moment. We made the same point to the Government, that it would need a change in legislation. The point is that the local multiplexes must reach 90 per cent of the population. I do not think they do currently. That is both a signal power thing, which Ford has already mentioned, but also an organisational thing.

Q105 ***Lord Maxton:*** SatNav companies use traffic reports which are provided by FM radio. The SatNav companies are, therefore, analogue themselves. Are the SatNav companies involved in the discussions on this at all?
Mr Cox: The SatNav companies need to be part of the future consultation. It is a question one should put to Intellect on their behalf. From the work we have done investigating this in response to your amendment, certainly they can continue to get their traffic report signal via FM, so that will not be impacted. That capability will still be there in the future, but I endorse that. I think that SatNav companies need to be consulted by government and by Digital Radio UK going forward.

Q106 ***Lord Inglewood:*** In response to Lord Gordon you talked about DAB and DAB plus, and then you raised other systems on the Continent. We talk about digital as if it is a homogenous single entity, but in fact it is a number of variations on the theme. In very simple quick terms, what are the advantages and disadvantages of the various systems? Why should one be better than another?
Mr Cox: I certainly cannot describe it. The people in the group, who included engineers and people qualified to make that judgment, did not think there were any advantages of DAB plus. It essentially gives you more capacity than DAB: you get more stations. To be honest—and this is slightly cheeky of me—I think we have too much radio already. We certainly have too much capacity. The last thing we need is to bring in a digital system which will increase the capacity at this stage, because the starting point for radio is that it could not afford dual transmission. That point has already been made. When you look at the 15 per cent fall in revenues last year, God knows what it is this year, but it cannot be much better, plus running two transmission systems, it is not a robust industry. Many of these stations are relatively small and are carrying formidable costs. One of the features is that the way the local multiplexes are organised gives too much capacity which they do not need. There is an advantage, DAB plus, which gives you more capacity. No-one said at the group, "We don't want that. It's too much", but the conclusion I drew from chairing the group was that that was one of the hidden reasons. We do not need it at the moment and probably not for another ten or 20 years, but we will be able to bring it in if we think it is necessary. I was listening to the discussion on television, and, yes, there was high definition television vaguely thought of, but we did not have any plans for bringing in high definition television on the Freeview platform. Within four years, we have had to rework the multiplexes, rework the allocation of frequencies. There has been some pain: ITV3 has disappeared from homes in which it was a very popular service, and that is unfortunate, homes that cannot yet get high definition as a compensation, but it was a major challenge which has been worked through. If we can do that in television, we sure as hell can do that in radio going forward. Signalling out DAB is a perfectly good thing for now, but if it turns out that DAB plus or whatever the other one is that is in there somewhere is better, we could change.
Mr Ennals: DAB is in the UK, Denmark, Norway, China, currently in Germany, and some of the other markets are moving to DAB plus. As Barry said, we will see multi-standard chips in the marketplace that can allow you to receive both. If the industry and

regulators decide it is the future direction, there will be the opportunity to upgrade.

Q107 ***Lord Inglewood:*** You are telling us that, because of the common chip, it will be possible, if I can put it in this way, to have a second phase of switchover, converting from one form of delivery to another.
Mr Cox: Correct.

Q108 ***Lord Gordon of Strathblane:*** People in the radio industry have said to me that more has happened in the last six months than had happened in the previous three years. Given that is my impression as well, should Mr Cox's committee really not have been set up ten years ago, minimum?
Mr Cox: I cannot answer that question. You are right. It was said to me at the time by someone who used to work for you, "This is amazing. We never thought this would happen that we would produce a report as universally as supportive as this." I do not know why that is but clearly there has been a pre-history which has not been favourable. That is all I can say.

Q109 ***Lord Gordon of Strathblane:*** One of your recommendations which seems to be quite important is that the Government should conduct a cost-benefit analysis.
Mr Cox: Correct.

Q110 ***Lord Gordon of Strathblane:*** There are stories that in fact they have done, they just have not published it.
Mr Ennals: A piece of work has been done for Ofcom which does show a positive net present value as a result of that. I have just come from BIS before this session, and they are committed to doing a full impact assessment as part of any future action planning. I think they will revise and review the cost-benefit analysis at that point. The current one is positive, though.

Q111 ***Lord Gordon of Strathblane:*** Could you share with us any written material you have on the cost-benefit analysis, perhaps by sending it to us?
Mr Ennals: I will ask Ofcom to.
Mr Cox: DCMS are saying yes. There was a PWC report which I do not believe you have had, My Lord Chairman.
Mr Ennals: I believe it is in the public domain.

Q112 ***Chairman:*** What progress has been made so far on the national infrastructure required for national digital radio?
Mr Ennals: Everything has happened very, very quickly, as Lord Gordon has said in terms of Barry's report, the Working Group, and the Digital Britain report. We have established Digital Radio UK with a remit to develop digital radio within the UK to a potential switchover. The first part of the infrastructure is a requirement for a technical plan to extend the coverage. We have just initiated that work now. I do not anticipate that work will complete until towards the end of this year, so one of the things we have to do—and this will be led by Arqiva, I am sure involving Ofcom—is to look at the detailed re-planning of the muxes in the digital world. We also need to identify and secure funding to make that happen. That work is underway. That is the most pivotal. The second key thing is the car industry. We have already touched on that. The third thing is about consumers, about consumer education, consumer awareness, training in retail to make that happen. Those programmes are now underway but they are just at the start.

Q113 ***Chairman:*** Would one aim of the technical plan, the infrastructure plan, be to bring in the people who at the moment are excluded from digital—I mean the 20 per cent?
Mr Ennals: Absolutely. Once again, it was stipulated in Mr Cox's report and in Lord Carter's paper that the intention is to ensure that we extend digital coverage to the same level as FM coverage is today. The 20 per cent of the people I referred to earlier who cannot receive the BBC digital services who will be able to as a result of the expansion of coverage.

Q114 ***Chairman:*** Tell me about funding.
Mr Cox: We have said in the report that the BBC would have to extend it, and this then all gets tied up with what happens to the digital dividend from television which, as you said in the earlier session, there are over 100 people queuing up for.

Q115 ***Chairman:*** We have spent it at least three times.
Mr Cox: All I would say is that from my private conversations with BBC people, for what they are worth, and they may be not worth very much, they incline towards using some of the money for extending their national DAB radio coverage. That is what they were saying. Whether they still say it, I do not know. They have certainly not said it in public. It is obvious that this is digital money. It is a slightly easier thing to say, "Let's complete the digital radio infrastructure using this" than to give it off to broadband, local news, ITV or something like that, but they are perfectly good causes and they may well win.

Q116 ***Chairman:*** Do you envisage the same amount of cost which would be required as to television?
Mr Cox: I do not think so.

Mr Ennals: The scale of costs would be far less, but there is a significant investment to be made, and I think Barry is right.

Q117 ***Chairman:*** Do you have any idea what that would be?
Mr Ennals: It has not been finalised and it would be wrong for me to put a number on it.

Q118 ***Chairman:*** So you do have an idea of what it would be.
Mr Ennals: I am aware of the numbers that have been discussed but it would be wrong for me to put them here. It is a question for the BBC, Arqiva and the commercial broadcasters.

Q119 ***Chairman:*** Would there be a help scheme?
Mr Cox: We have recommended that this should be looked at. We said it should be looked at as part of the cost-benefit analysis. I am not quite sure why we said that at the moment. There are two sides to this. It does not look anything like as difficult for consumers to get for radio as it is for television. The existing radio antennae do not need to be changed, so there is no re-tuning of that kind to go on, with all that that entails. That is one point. Secondly, there is already a wonderful scheme—I think it is called Wireless for the Bedridden—which is in part funded by the BBC and is a help scheme. They have captured part of the constituency. My personal view is the Government, DCMS and the BBC should agree to see that expanded. They do the job already. Maybe that will not work, but that is what I mean. There is already a mini-help scheme and not as many people are likely to need the help for radio but, nonetheless, my private belief is that there should be one and we recommended that this should be part of the cost-benefit analysis when it is done.

Q120 ***Chairman:*** In précis there will be a cost involved, but the cost is not, on either side, whether it is on the reorganisation and development or whether it is on the help scheme, in the order of television switchover.
Mr Ennals: No.
Mr Cox: No. Correct.

Q121 ***Lord Maxton:*** Mr Ennals, several times you have referred to this 20 per cent who cannot get digital radio, but that does not presumably include those who can get digital radio through their television. Freeview, Sky, it does not include those.
Mr Ennals: Obviously a number of services are available via DTV, via television, and a surprising number of people do listen to some radio over their television.

Q122 ***Lord Maxton:*** Will some smart manufacturer not work out that you could produce a Wi-Fi system that attached to a radio within your house?
Mr Ennals: It does not include a number of people who can and do listen on the internet. There is a proportion there. As you have said, some radios will be Wi-Fi enabled; nevertheless, 40 per cent of radio listening is done out of the home. That is why the broadcasting tradition is so important. It is very important, as I said, and it is only fair, that that 20 per cent have access to the services which indeed they are paying for through the licence fee.

Q123 ***Bishop of Manchester:*** I would like to come back to the issue of community radio, which I think is hugely important in terms of local well-being. I am thinking there of, for example, geographically-defined stations, and we are all familiar with the many local community stations there are. I am thinking of interest-defined stations, and I suppose you could put something like hospital radio into that, and I am thinking of identity-defined radio stations, such as, for example, a local Asian station. I have examples of all those in my own area where I work and I know that a lot of them are really very concerned about the future. Your recommendation in the working report is the continuation of FM alongside rather than a complete switchover. What would you be advising people in what they feel to be very vulnerable situations to be doing about all this? What do you feel anyway in real practical terms can be achieved in order to enable these small stations to survive beyond digitalisation?
Mr Cox: As you have absolutely clearly said, the first point is that there will be frequencies for these stations on FM. Again, as has been said, the chip that will deliver analogue radio and digital radio means that when you buy a radio set you can move between these. I believe they are at no risk of losing their ability to broadcast. We have taken the point that this is too expensive for them at the moment and therefore they will continue. I do not know whether it will affect audiences, but I would imagine keen audiences would keep an analogue radio. They will want to listen to it. Longer term is where DAB plus comes in. There was a view, not particularly well researched or anything, which said that is where those stations which have not gone digital in 2015 or 2017, or whenever it is, get the chance to go, because we do believe that even the community stations in 15 years' time will not want to be on analogue. That is my view. They need a chance to move and we envisage that will be possible for them.
Mr Ennals: I have a press release in front of me that has been released today by the Community Media Association which represents 200 licensed community services. They are saying that they absolutely support the Digital Economy Bill. They

believe it benefits community radio, it allows them to expand the number of services. FM is full at the moment and they are restricted in terms of the number of services that can be supported. It also provides a platform for hospital radio, university radio, and indeed for local commercial radio. Jaqui Devereux, the head of the CMA, has released this today. They are welcoming the Bill and welcoming the opportunity to secure and expand their presence on the FM frequency.

Q124 ***Bishop of Manchester:*** You are saying that these people I have mentioned in general terms, who were expressing to me very great concern about their future viability, need not worry.
Mr Cox: They would not have to worry about paying more than they do now for the transmission. In so far as they are funded through advertising, who knows where that is going to go. In so far as they do not rely on advertising, they are fine.
Mr Ennals: They have a platform, they have a home, and they will be supported. We have also announced over the last few days that there would be the development of a seamless unified guide that would allow people to receive FM channels and digital channels at the same time when they set up their radio. We are very keen to support a healthy and active development of FM as well, in parallel with digital.
Bishop of Manchester: That is an encouraging answer. Thank you.

Q125 ***Lord Inglewood:*** Following up the Bishop of Manchester's questioning, do you anticipate more effective digital compression, to enable the amount of spectrum you envisage being available for digital radio being able to carry more channels?
Mr Cox: The only answer I can give to you is one I have already made. When we looked at the different technologies, we saw DAB plus could do that. I do not know whether that is the compression factor or not. I do not know the answer. It seems to me from the way digital is going that there are going to be developments which might well deliver what you say, but that is speculation. I have no firm evidence of that at the moment.

Q126 ***Baroness Howe of Idlicote:*** The Digital Radio Working Group did recommend research on the ownership and the use of analogue and digital radio particularly among disadvantaged groups and older people. Asian groups have already been referred to, with their first language not being English, and the lower socio-economic groups. How far has this research gone? Obviously we have heard from Mr Cox that it would have been a good idea if the help scheme had been available for radio users as well, but it clearly has not been.
Mr Cox: I am sure it will happen that when radio does announce the migration, there is a help scheme in place. I can see why it has not been put in place just yet.

Q127 ***Baroness Howe of Idlicote:*** Obviously there will be less of a problem, but nevertheless those groups will have certain problems.
Mr Ennals: I did not talk about the help scheme, but I am very sympathetic about those who put forward a suggestion that there should be a help scheme, because, while the issues may be less intense and less physical than they are with TV—you do not have to move TVs, you do not have to re-plug everything in—there is an understanding issue, and I think we ought to do everything we can to help those people who are more vulnerable in society to understand what is happening. We know that older people are very dependent on their radios. They listen to more radio than anyone else. One of the great things that Digital UK has done is to set up a network working with Age Concern and local community groups. I would hope that we could tap into that same network. It would involve people like Wireless for the Bedridden and those who are already active in communities. It is something that we will work on. With regard to research, Ofcom had a duty under the Bill, and indeed recommended by you, to provide a tracking and research to understand how people are using digital radio and what are the listening patterns. We are meeting with them to discuss what are the future research needs. That piece of work you suggest is something that I would like to put in place this year, but it has not occurred this year.

Q128 ***Lord Macdonald of Tradeston:*** I assume that digital radio, like digital television, will use more power when it comes into general use. I do not know whether you can enlighten us as to whether this is for radio and television, but we saw a figure of nearly £1 billion a year extra in power consumption which would have to be paid for by consumers. Do you intend to dig into this more deeply, or do you plan any kind of environmental impact assessments? This would also cover the dumping of sets by the tens of millions, presumably.
Mr Ennals: As part of the detailed impact assessment the Government will do and the revised CBA, they will also be looking at the environmental impact, similar to the work BIS did for digital TV switchover. They have already talked to Defra and it is something that will go forward. It is a real live issue and we need to better understand it. It is a different scale of issue than TVs. The power consumption, the power output, is less than one-tenth of television for radio. The market and the industry are very focused on energy efficiency now. There has been a 75 per cent reduction in terms of energy usage by digital radios

over the last five years according to Intellect, and I saw some data yesterday which suggested that an average digital radio uses as much power as a quarter of an energy efficient light bulb and at a cost of about £1.20 a year. Once again, I am not dismissing the issue. It is live and we need to better understand it, but the scale is very different from when we were doing this on television, but that will go forward.

Q129 ***Lord Macdonald of Tradeston:*** At an anecdotal level, we have heard that batteries run out much more quickly. Is this a concern that has come back to you?
Mr Ennals: Once again, it is something that we need to review. I have discussed it with manufacturers. Indeed Roberts set up a piece of research that indicated that they get more life for less battery on their digital radios, so they believe that it is the contrary. Given that I am hearing contradictory views, I think it is something we need to look at more closely.
Mr Cox: I have heard the same stories as you.
Chairman: I have just been sold a battery for some exorbitant amount of money—£28, I think—which I am told will last for two years.
Baroness Eccles of Moulton: It is rechargeable.
Chairman: It is rechargeable, yes. Anyway, as that point has fallen flat, Lady Eccles has a question.

Q130 ***Baroness Eccles of Moulton:*** The question on the digital dividend, the release of frequency, has already been partly answered. I do not know if there is anything that you would like to add to the benefit of the release of spectrum through switchover to digital.
Mr Cox: When we did our work, we assumed—whilst it was not quite spelt out, there was an absolutely background assumption—that there would be no digital dividend. The experts in this field said these frequencies are not worth anything. Instinctively I do not believe that. There must be some use for them. Indeed, Ford has spelled out the work going on to make sure that they can continue to be used for radio, so that is something. I am sure it will not be on the scale of television, but what it will be there is no clear evidence. Some people said the pirates would fill it—and maybe some of them will try to do that—but no alternative to radio was obvious at the time and I do not know that any has come up since.
Mr Ennals: That is absolutely right. It is not anticipated that there will be a digital dividend in those terms. The dividend is in terms of an industry that has a clear and healthy future and a consumer that has more competition and more choice.

Q131 ***Baroness Eccles of Moulton:*** Could I ask you a question about the multi-standard chip. This presumably is a little electronic device that can be installed, which means that you can receive both FM and DAB at the same time.
Mr Ennals: Not quite. At the moment digital radios, almost as standard, have FM and DAB. If you buy a radio today, you will get the ability to listen to FM, and that is critical because FM will continue. The multi-standard chip is a combination of DAB, DAB plus, and it does allow you to receive the other standard in the same family called DMB. That would mean in the future, if we were broadcasting using those technologies, that a receiver could potentially pick up those signals. That is a direction the industry is going, because that would enable them to have receivers sold across any country within Europe, but that is a future direction.

Q132 ***Baroness Eccles of Moulton:*** Is it very inexpensive?
Mr Ennals: It will not impact on the expense to the consumer, no. It is relatively inexpensive for them to do.

Q133 ***Baroness Eccles of Moulton:*** Presumably, if that is a technological development that really takes hold, then the small community broadcasters would be able to continue to use FM.
Mr Ennals: Certainly the intention is, and the stated plan is for the community radio stations, to use FM. Indeed, with the BBC and all the other big national stations moving to digital, that clears a very significant space for them to expand the services. We can give some comfort to community stations that they have a secure future.

Q134 ***Lord Gordon of Strathblane:*** You could be moving towards something that is not digital switchover but digital expansion or some other word.
Mr Ennals: Yes.
Mr Cox: We should not use the word “switchover”. Television are adamant they should not use the word “switchover”. In this report we called it “digital migration”.

Q135 ***Baroness Eccles of Moulton:*** Migration. That is the word.
Mr Cox: I think that might be a better term.

Q136 ***Chairman:*** It is a bit late for a new term to be introduced, if you do not mind me saying so! You say that the consumer benefit is more channels and more choice. But radio revenues are falling, so it is not entirely clear to me how such an extension of choice is going to be funded.
Mr Ennals: Within that there are fundamental functional benefits of digital that analogue cannot do. The way people consume media has fundamentally changed. Originally when they introduced things called DVR, everybody said, “I

don't need one of those," but now people love to record BBC programmes and ITV programmes. They love to be able to pause and rewind live content. Digital allows you to do those things. There are other benefits as well. On your point about the economics, I think the economics for radio have been challenging in terms of a delivery of new services and new stations. The industry strongly believes the security and certainty provided by this Bill will enable and encourage the industry and broadcasters to invest and innovate in terms of additional programming. We saw that on the TV side, where initially some of the old analogue stations were somewhat reluctant to invest in their digital offspring, but when the path became clear they then invested and I think have built a very healthy business.

Q137 ***Chairman:*** I am a little puzzled about the timing for this. From everything you have been saying, it sounds to me as though having an enabling Bill is an extremely good idea. It is going to be a long process. I will not say the longer the better, but it is certainly not a process which sounds to be capable of being rushed. On the other hand, you then have the concern, I imagine, of the bigger stations, or some of the bigger stations, that on the cost of having both FM and digital together, from their point of view, the sooner you do it the better. Is that one of the dilemmas?
Mr Cox: We looked at this in our work. One of the things that we said, to which the Government has now agreed—it did not immediately agree to it—was that the dual analogue and digital licences should not be put out for auction and tendering when they fell due; they should be automatically renewed to an incumbent who was going to do digital.

Q138 ***Chairman:*** There is a certain controversy about that, I gather.
Mr Cox: There was.

Q139 ***Chairman:*** And is.
Mr Cox: There probably still is. It did seem to us, and common sense would say, that you cannot expect a bunch of people to put money in now and for another several years if they are going to lose their licence to some Johnny come lately, or indeed some old veteran, who just bids because there is an auction. That struck me as being unreasonable.

Q140 ***Chairman:*** That is the deal.
Mr Cox: Lord Carter did not like to do it immediately. As I understand, he wanted to get something more back from the radio industry. I think there is a deal in place on renewing these licences, yes.

Q141 ***Baroness Howe of Idlicote:*** One last point on the FM fallback, continuing for something like twelve and a half years theoretically, if needed. That is one of the figures. Supposing this has not happened—and it is a long-term process, there are all sorts of arguments going on, and twelve and a half years, say, have passed or else the crucial point—might it not be a better idea to get some amendment into the Economy Bill which makes it possible, if the deal has not been done, to move beyond twelve and a half years to when the deal is done?
Mr Cox: Is the twelve and a half in the Bill?

Q142 ***Baroness Howe of Idlicote:*** Twelve and a half years seems to be a figure that stuck in my mind.
Mr Ennals: There is the potential reference to the expansion of licences from a five year period to a 12-year period. That may be what you are thinking of.

Q143 ***Baroness Howe of Idlicote:*** That is probably what I am thinking of, yes.
Mr Cox: We have no sense of when the FM fallback—in the rather nice way you have put it—would run out: there would not be people who wanted it, it would all have gone. All we did is say that we believe they will want to move to digital, and DAB plus or whatever in due course, no time specified. They would be able to afford to do it. That was always said. As far as I know, it is open-ended in that sense.
Baroness Howe of Idlicote: Because there quite clearly are some radio stations who are concerned about this, and, indeed, some areas which do not have coverage at the moment. I just wanted your views on that.

Q144 ***Lord Maxton:*** In twelve and a half years, technology will have moved on.
Mr Ennals: We have learned from TV switchover the pace of change and, also, consumers' willingness to adopt new technology. If you think about how many iPods people have and how many times they buy an upgrade to a new mobile phone. When the Government announced, when Barry and I came together as Digital UK, that switchover was going to happen on TV, the household penetration was about 57 per cent of the country. Just less than 60 per cent had digital television. By 2008 it was 90 per cent. We saw that with the certainty of the decision it galvanised industry, the consumer got excited by the channels and it moved very quickly. Potentially it will happen quite quickly if, once again, the Bill is passed and if there is clarity about the future.

Q145 ***Chairman:*** You did say certainty of decision, and I can think of at least two business models in which it is not in the equation just now.
Mr Ennals: No.

Lord Gordon of Strathblane: It is more certain than it has ever been, Chairman.

Q146 ***Lord St John of Bletso:*** Lord Gordon has comprehensively covered the issue on the DAB standard, but what quality standards are there to ensure that digital radio receivers sold in the United Kingdom meet the world's DMB profile environment?
Mr Ennals: Work and discussions are ongoing at the moment between Intellect, Digital Radio UK and BIS about what should be the appropriate core receiver standard specification and, indeed, how we should identify it and how we should police it. Under review is the potential of having a digital radio mark that can be used on those receivers that provide FM, meet the standards, maybe have the multi-standard chip. We are putting in place a sort of testing and policing infrastructure which can support that this year. In doing so, we will be in conversation with DMB which provide the current standard.

Q147 ***Lord Macdonald of Tradeston:*** Since we started this inquiry the received wisdom coming in, certainly to me, has been that there has been uncommonly good progress on the switchover on television, but the real problematic area always going to be radio. In that context I find your presentation this morning very reassuring. How would you rank, going forward, the three biggest problems that you will face?
Mr Cox: The Working Group envisaged they were the underlying economy of the radio services—which is not healthy, and the Government and Ofcom had to make them more profitable by deregulation; the car issue—although that looks as though it will be solved; and the complexity of having local and national multiplexes—I know you will need them, but Ofcom were strongly encouraged to review this and I do not know whether they are. They would be my three.
Mr Ennals: The only thing I would add is probably the funding to secure the coverage build out. That is absolutely fundamental to our future plans. Like Barry, I hear a lot of assurances that that will be forthcoming, but we need to have that confirmed.
Chairman: That sounds like a good menu for us. This has been the first meeting and I am very, very grateful to you for setting out, as you have so clearly and so frankly, what the issues are. Thank you very much for coming.

Supplementary letter from Digital Radio UK

I hope the information we provided during the evidence session with the Lords Communications Committee on Digital Switchover was helpful.

We touched on radio set sales in our session, and I noted with interest that the matter also arose when Scott Taunton from UTV gave evidence a couple of weeks later. I thought, therefore, that it might be useful if I wrote with the very latest radio sales data. Encouragingly, it shows that, during 2009, consumers increasingly chose digital sets over analogue ones.

I thought it clearest to present the data in a simple table, which is attached, but it may be useful if I explain a couple of the terms used. Where the data refers to ”kitchen radios” it means the kind of sets that you and I would call “a radio” ie a set whose sole function is to listen to the radio.

Where it refers to “all radios”, these figures include those pieces of electrical equipment which happen to have a radio chip in them (eg a hi-fi where the main reason for purchase may be to listen to CDs or an MP3 player where listening to downloaded music is the primary function).

As you can see, by Christmas 2009, 76% of people buying “a radio” chose a digital one, and even in purchases of “all radios” analogue was only outselling digital by 2:1.

I believe these figures show strong signs of a real change in consumer behaviour and that, even now, listeners are enticed by what digital radio has to offer. Perhaps even more significantly, our own research has just found that, 94% of people are so pleased with their digital radio that their next radio will also be a digital one.

Please do not hesitate to contact me if I can provide any further information.

ANALYSIS OF DIGITAL v ANALOGUE RADIOS SOLD—2009

Kitchen Radios						
	2009 total		*Q4 2009*		*Dec-2009*	
	000s of units	*%*	*000s of units*	*%*	*000s of units*	*%*
Digital	955	**63**	386	**71**	230	**76**
Analogue	549	37	161	29	73	24
Total	1,504		547		303	

All Radios						
	2009 total		*Q4 2009*		*Dec-2009*	
	000s of units	*%*	*000s of units*	*%*	*000s of units*	*%*
Digital	1,988	**28**	797	**30**	484	**34**
Analogue	5,218	72	1,854	70	936	66
Total	7,206		2,651		1,420	

Source: GFK.

15 February 2010

WEDNESDAY 27 JANUARY 2010

Present		
Present	Bonham-Carter of Yarnbury, B	Macdonald of Tradeston
	Fowler, L (Chairman)	Manchester, B of
	Gordon of Strathblane, L	Maxton, L
	Howe of Idlicote, B	McIntosh of Hudnall, B
	Inglewood, L	St John of Bletso, L

Memorandum by Ofcom

SECTION 1

Summary

Switchover, upgrade or migration?

1.1 The term "digital switchover" (or DSO) is now well understood in the context of digital television. The same term is used about digital radio in the Digital Economy Bill, but it is worth noting that the Government's Digital Britain report referred to it as "Digital Upgrade", and the process is also sometimes referred to as "digital migration".

1.2 The reason that these alternative terms are sometimes used is that "switchover" in radio is different from television. Terrestrial television switchover requires the analogue signal to be turned off in order to achieve a full digital service. In radio, the government is proposing that the FM band will continue in use, but that coverage, take-up and the number and range of services on the DAB platform will increase, such that DAB becomes the primary radio platform. Analogue television is being switched off, analogue radio is not.

Television

1.3 The programme of digital switchover for television was announced by the government in September 2005. This announcement had been preceded by a number of years of detailed work by Government, Ofcom and industry carried out between 2000 and 2005.

1.4 The switchover programme commenced as planned in 2008 and is expected to complete on time in 2012.

1.5 Approximately five million households (20% of the UK) had completed the switch to all-digital television reception by the end of 2009.

1.6 Viewers that have switched to digital have in general experienced few difficulties. This has been aided by a high degree of digital-take-up prior to switchover occurring.

1.7 Issues that have emerged are mainly in relation to some digital equipment not being easy to use, the behaviour of some receivers in areas of signal overlap from different regions or nations and reception problems resulting from the poor condition of some viewers' aerials.

1.8 Some viewers that are accustomed to the unchanging nature of analogue television may find new features difficult to use and be to new developments

1.9 The terrestrial television platform continues to evolve with the launch of High Definition services in some areas being a recent development in late 2009. Further developments are likely in the future. This increased pace of change presents challenges

— for industry in adopting new technical standards whilst maintaining compatibility with older receivers

— for viewers in keeping abreast of changes

Radio

1.10 Media consumption is changing, but linear audio still has unique characteristics, and our research suggests that broadcast radio still has a particular role to play.

1.11 At UK-wide and larger local levels, the commercial radio sector complements the BBC's radio services, but also has an important role providing competition, diversity of genres and plurality of voices, given the BBC's share of the radio audience. At smaller local levels, commercial and community radio makes a unique contribution of local content and community benefits not duplicated elsewhere.

1.12 For the past 50 years, the main way of listening to radio has been via analogue FM and AM services. There are currently five national BBC radio networks and 46 BBC local and nations' stations. There are also three national commercial networks and 300 local commercial services plus 160 community services broadcasting on AM or FM.

1.13 In 1995 the first DAB services were launched. DAB now carries all of the national analogue services plus a number of digital-only services from the BBC and commercial radio. It also carries most BBC local and nations' services and the vast majority of the large local commercial services. The small local services and community services tend to be available only on FM. Coverage of DAB is currently just under 90% and new transmitters are still being opened. The services which are already available on DAB account for over 95% of all radio listening (although most of the listening to those services is still on analogue).

1.14 A major issue for the radio industry is that the costs of transmitting on both analogue and DAB are high. The majority of listening is still to analogue but DAB offers benefits in terms of new opportunities for more stations, better reception and, particularly for national services, cheaper transmission costs. But for small stations, the costs of DAB transmission are prohibitive and the technology is not suited to individual local stations covering a bespoke local area. As a result, the operators of national and large local stations have been arguing for a switchover from analogue to DAB for their stations. Operators of smaller stations are worried about being left behind on analogue if most listening transfers to DAB, but recognise they could not afford to transfer to DAB themselves.

1.15 The Digital Britain report proposed a Government policy that DAB should be the primary distribution platform for UK-wide and large local radio stations, and called for a migration of listening to these stations to DAB over the next decade. This is facilitated by the provisions in the Digital Economy Bill currently before Parliament.

1.16 Under this plan, national services and large local services would cease to be available on FM and AM. They would be available via DAB and online with national services also available via digital TV. Small local stations would remain on FM. So listeners existing analogue–only FM and AM sets would not become obsolete but they may no longer be able to listen to their favourite station on FM or AM. The vast majority of DAB sets now being sold also include FM, so listeners with these sets will be able to listen to all the services available in their area, both DAB and FM.

1.17 Digital technologies offer consumers greater control, quality and—with very little spectrum available for new analogue radio services—potentially greater choice. DAB has had the largest impact to date in the UK radio market, with considerable take-up and usage, and industry investment in transmission infrastructure.

- Our analysis suggests that a number of digital platforms offering radio content are likely to develop, and to co-exist in a mixed ecology.
- DAB is currently the technology best placed to provide free-to-access universal provision of digital radio services, across the country, via affordable portable and mobile devices. We therefore share Government's vision of DAB as the primary digital radio platform.
- If this is to happen, regulation and legislation will need to change to facilitate the continued growth of the DAB platform.

1.18 More immediately, the industry faces significant financial pressures, resulting in part from structural and cyclical changes in advertising and in part from the costs of digital transmission.

1.19 The Digital Economy Bill provides legislation which would allow licensing and regulatory changes to help facilitate radio digital switchover. These provisions would allow Ofcom to:

- Extend and merge local multiplexes to improve viability and encourage multiplex operators to extend coverage
- Agree to requests from analogue local stations to co-locate and share programmes within defined areas, so helping to improve viability and ensure the continuation of a viable tier of commercial services, large enough and sufficiently well resourced to provide local news and other content in every part of the UK. Stations of sufficient size to be viable on analogue should also be of an appropriate

size for carriage on the relevant DAB multiplex/es, and would be of sufficient scale to afford DAB transmission; and

— Give analogue stations that will migrate to digital-only transmission notice that their licence will be terminated at a certain date (on instruction from the Secretary of State)

1.20 At a level below these large stations, smaller stations would have a choice at digital switchover. They could

— stay on FM and keep to their current commercial model but with greater flexibility to co-locate and share more programming with other stations in their area; or

— merge with other local commercial stations in the area, obtaining carriage on DAB to join the tier of large local stations.

1.21 At the point of digital switchover a significant amount of FM spectrum would be released. One use for this would be to allow for many more community-based stations, whose number is currently limited by spectrum availability, particularly in the major cities.

1.22 But the Digital Economy Bill and Ofcom's subsequent implementation of its provisions will not by themselves achieve digital switchover; action by industry stakeholders, both BBC and commercial will also be necessary, notably:

— improvement of coverage and reception—the funding of this needs to be agreed between Government, the BBC and the commercial radio industry;

— a more consistent offering of high quality content—one way of providing more high quality national stations may be to allow existing regional commercial stations to drop their regional programming commitments (except perhaps in the nations) to allow them to invest in becoming national stations (with national coverage on DAB and quasi-national coverage on FM until switchover);

— greater use of the other consumer benefits DAB can offer in terms of programme guides, text and data services;

— a significant investment in marketing by the industry, both BBC and commercial; and

— encouragement to car manufacturers to build-in DAB/FM receivers as standard.

SECTION 2

Progress towards Television Switchover

Ofcom's role

2.23 Ofcom has a number of duties and responsibilities relating to switchover in Television. The principal duties are:

— The licensing and regulation of broadcasters—Ofcom issued replacement licences for the main (commercial) public service channels ITV1, Channel 4, Five and Teletext (BBC1 and BBC2 are regulated by the BBC Trust) in 2004, in line with the requirements of the Communications Act 2003. These licences placed requirements on the broadcasters including back-stop dates for completing switchover in each ITV region, and for the broadcasters to communicate information on switchover to viewers. The bulk of viewer communications are conducted by Digital UK. The licences allow Ofcom flexibility to ensure that broadcaster obligations are met.

— Spectrum planning & international co-ordination—Ofcom has joint responsibility with the BBC for spectrum planning for the terrestrial TV network, and has responsibility for international coordination of spectrum allocations. While the bulk of this work has been completed for switchover, the Government decision to remove TV services from an additional two UHF channels at the top of the band (channels 61 and 62, see below) has led to additional spectrum planning and international coordination work that is now underway. A key part of Ofcom's work is to ensure that coverage of DTT after switchover substantially matches pre-switchover analogue coverage for the four main channels. Ofcom consulted on this in 2005, and placed specific coverage requirements in the broadcasters' licences.

— Research and Market information—Ofcom gathers and analyses data on the communications market, including figures for uptake of Digital TV in the UK. Ofcom also conducts technical and consumer research on aspects of TV as required. The planned work, scheduled to run from 2008 to 2012, is running to schedule and the work to date has been completed with no major problem

The regional switchover programme

2.24 The Government confirmed in September 2005 that analogue television services were to be switched off. The programme of switchover was to be carried out on a region-by-region basis commencing in 2008 and completing in 2012.

Source Digital UK

The original rationale for switchover remains valid

2.25 The Government decision to proceed with switchover was made in the light of

— The desirability of extending digital terrestrial TV coverage to virtually all of the UK. Around 27% of the population had no access to digital terrestrial TV prior to the start of switchover, and this was the subject of a large number of viewer enquiries and complaints. This extension of coverage is only possible after switching off the analogue services.

— The opportunity to release valuable spectrum for new uses for the benefit of consumers and industry

— The existing analogue TV system was conceived and designed more than 50 years ago and required updating

2.26 These remain the key drivers for switchover.

The four year digital switchover programme is on schedule

2.27 The planned switchover programme is running to schedule and the work to date has been completed with no major problems arising

2.28 Approximately five million homes (around 20% of the UK population) have completed switchover by end 2009. High power digital TV transmissions have completely replaced analogue television transmissions which have now been switched off in the Borders, West Country, and Granada regions as well as parts of Wales.

2.29 The success so far raises the question as to whether the switchover could be completed more quickly. Ofcom believes that the original four year programme is the right approach for the UK. The measured rollout of digital allows for necessary upgrading of the transmission network. Countries that have adopted faster switchover programmes, such as the USA, typically have less reliance on terrestrial TV and less comprehensive population coverage.

The switchover process appears to have worked well so far

2.30 A number of aspects of the switchover plan have worked well so far:

— A number of pilot projects, starting with "Go Digital" in 2001, fed results in to planning for switchover. The joint government/industry Digital TV Project that ran from 2000 to 2003, provided a basis for planning, specification development and industry engagement.

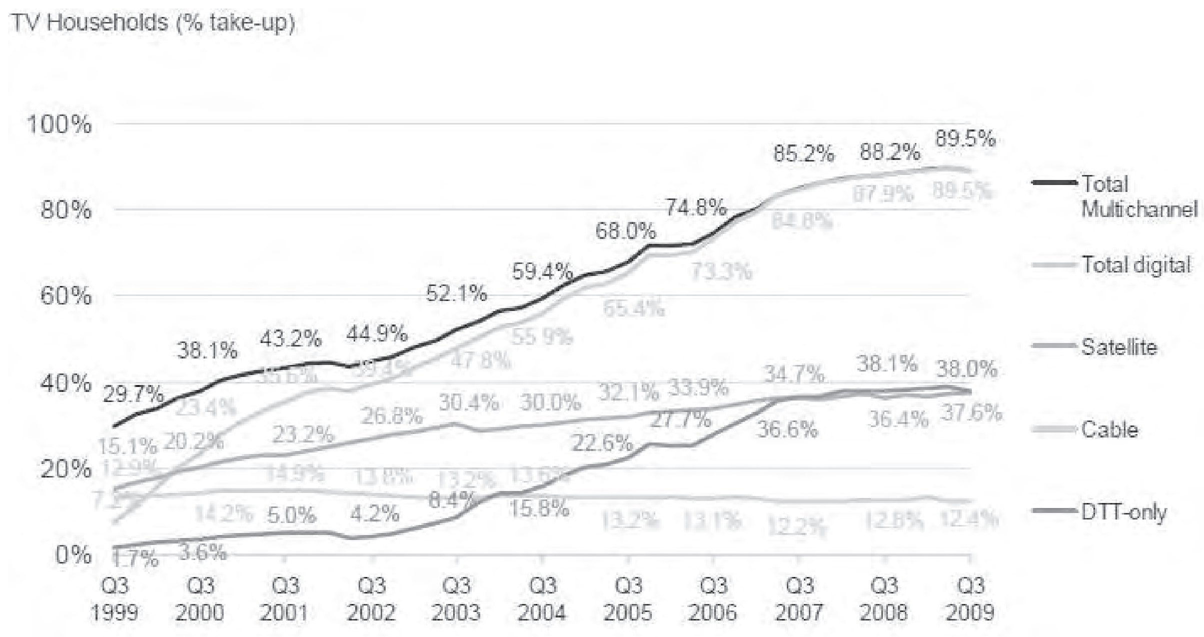
— Ofcom envisaged, in its report to the Secretary of State in 2004, a single body for delivering switchover. Digital UK was created to manage the switchover process and provide consumer and other communications, and this has worked well.

— Continued consumer oriented research through the early stages of regional switchover has provided useful feedback and allowed refinement of the process, such as minor changes to consumer communications.

The consumer experience of switchover has been broadly positive

2.31 Consumer research shows that for most people switchover is a neutral or positive experience, with those switching to digital for the first time likely to cite the availability of more channels as a positive benefit.

2.32 Many households voluntarily made the switch to digital television ahead of the switchover date. Although only 73% of homes were able to receive terrestrial digital services[1] when switchover commenced late in 2008, 88%[2] of households were already receiving digital television services on their main sets at that time. For secondary sets the figure was 60%.



Source GfK and Ofcom Q3 2009

2.33 A small but significant minority of viewers experience some disruption or difficulty in getting properly switched to digital. Current joint research by Ofcom and Digital UK is looking at those worst affected with a view to improving communications to assist these groups, and to assess the extent of the problem. The indications so far are that most of the problems encountered are with equipment that is difficult to operate correctly, or with poor quality household aerial installations. Recent Ofcom research showed that around five to ten percent of houses in pre-switchover areas have household aerials that are inadequate for post switchover digital reception.

2.34 A particular problem with receiver equipment is that a minority of receivers incorrectly tune to unwanted services or weaker signals when signals are detected from more than one transmitter. This might result in viewers getting services from a different region or UK nation to those expected, with manual intervention required to get the desired services. The specifications and testing regime for digital receivers has been tightened as a result and it is expected that future receivers will be easier to operate in this respect.

1 In addition, it is estimated that digital satellite television services are available to 98% of households and cable television passes 50% of homes.

2 Ofcom Communication Market Report: Digital Progress Report, Digital TV, Q4 2008

The differential coverage between public service and purely commercial services has raised some consumer concerns

2.35 Digital TV services are transmitted in bundles known as multiplexes. A multiplex typically carries five to nine TV services and radio/text services. Three of the multiplexes carry public service channels and need to meet stringent coverage requirements that in practice mean that these three digital terrestrial multiplexes reach 98.5% of the UK population after switchover.

2.36 Three further multiplexes (two operated by Arqiva and one by SDN) provide purely commercial services. It has been a long standing policy (confirmed by the Ofcom consultation on coverage requirements in 2005) that these commercial services do not have to meet such stringent (and costly) coverage requirements. However, Ofcom did stipulate that they could not reduce their coverage compared with pre-switchover levels. These multiplexes will also operate at higher powers after switchover and under current plans their coverage will increase to around 90% of households, a significant increase from 73% before switchover.

2.37 Some viewers that are not covered by the additional, commercial, multiplexes feel that they are treated unfairly in that they do not receive the full range of digital terrestrial TV services. Digital UK and Ofcom have acted to make sure that consumer information is available in advance of switchover so that viewers can make a decision on which platform to adopt with full knowledge of the number of services that will be available to them.

Evolution of technical standards

2.38 The UK receiver market is open to entry by any manufacturer.

2.39 Some early receivers have not coped well with the evolution of the DTT platform. Although there are clear standards set out by industry bodies such as the Digital Television Group, compliance with these requirements is not mandatory and consequently, the features and performance of receivers varies.

2.40 One example is that as switchover progresses across the UK, a different version of the digital signal will be adopted known as "8k" (before switchover, the mode in use was "2k"). Some older receivers are unable to cope with the new mode and therefore stop working, or require an upgrade, at switchover.

2.41 Ofcom consulted on the use of the 8k mode in 2005 as it gave the flexibility to use "single frequency networks", where nearby transmitters can reuse the same frequencies provided that the transmissions are accurately aligned. This improves spectrum efficiency and coverage. This impact on a relatively few older receivers was known about at the time of the consultation. Digital UK has comprehensive information about the receivers affected and is able to advise viewers accordingly.

2.42 The Government's Digital Certification Mark Licence (administered by the Department for Business, Innovation and Skills) sets out a minimum standard for DTT receivers. Devices carrying the "Digital Tick" logo give consumers confidence that the product will continue to work beyond switchover.

The launch of High Definition services

2.43 In 2007, the broadcasters approached Ofcom about the desirability of introducing high definition services to the digital terrestrial TV platform in the UK with the aim that the platform could maintain its competitiveness with cable and satellite TV.

2.44 The broadcasters' initial request was for additional spectrum to be set aside for additional multiplexes to be broadcast that would carry high definition services. Ofcom made an alternative proposals that suggested that high definition broadcasts could be broadcast without the use of additional spectrum.

2.45 Ofcom consulted on these proposals in late 2007. It was agreed with the BBC that the second BBC multiplex (BBC multiplex B) should be cleared of existing services at switchover in each region to allow the introduction of high definition services using new technical standards (principally DVB-T2 and MPEG4). It was estimated that three high definition services could be carried at launch with up to two additional services as technology improves in the following few years.

2.46 Ofcom made recommendations to the Government, which in turn instigated the necessary Parliamentary order to give Ofcom the powers to effect the reorganisation.

2.47 In 2008 Ofcom advertised for service proposals from the commercial public service broadcasters, that would be broadcast in Multiplex B alongside a BBC high definition service.

2.48 Ofcom has subsequently awarded licences to ITV and Channel 4/S4C and is in discussion with FIVE in connection with a fourth service.

2.49 High definition services from the BBC and ITV were launched at the Winter Hill (Granada) and Crystal Palace (London) transmitters on 3rd December 2009. Services from Channel 4 and S4C (in Wales) will commence in spring 2010.

2.50 The high definition services will be rolled out across the UK with Digital Switchover. In areas where switchover has already completed, HD services will be introduced during 2010 and it is expected that around 50% of UK households will be covered by HD DTT broadcasts by June 2010.

2.51 Viewers that wish to receive the new high definition services will need to buy a compatible set-top box or integrated television set. These are expected to become available on the market by the end of March 2010.

Clearance of 800MHz band

2.52 Analogue TV formerly occupied 46 UHF frequency channels across the UK, with the relatively low power pre-switchover digital services occupying the small "gaps" in that spectrum. The technical planning for digital switchover has proceeded with the aim of allowing 14 of these UHF channels to be released for new uses (for example mobile communications, more television services or wireless broadband) as the "digital dividend" spectrum.

2.53 In the original planning for digital switchover, UHF channels 63 to 68 were among the frequencies identified for release. Other European countries subsequently announced their own plans to release digital dividend channels, which in some cases differed from those being proposed for release in the UK.

2.54 In view of the emerging position in Europe, it was appropriate for the UK to consider the benefits of aligning its digital dividend frequencies with others in Europe, and the UK Government decided to add channels 61 and 62 to the released spectrum. It was also decided to retain two extra channels, 39 & 40, (which were previously planned for release) for TV broadcasting. The new channel release plan therefore retains the same overall amount of spectrum for TV broadcasting use as the original plan, allowing high levels of signal availability to be maintained.

2.55 A programme by the broadcasters, transmission operators, and Digital UK to implement the clearance of channels 61 & 62 is now being planned. It is expected that implementation will begin in 2011 and be complete by 2013. Where possible the changes will be carried out at the same time as switchover. However, this is not possible in all cases and some transmitters will need to change the frequencies they use at some point switchover, requiring digital terrestrial TV viewers to retune their receivers. Digital UK will be responsible for communicating information on the changes to affected viewers.

Clearing channels 61 & 62 is expected to substantially increase the value of the digital dividend spectrum for reuse by mobile communications services, and the costs of the clearance programme will be met by the Government.

SECTION 3

Radio in a Changing Media World

The implications of changes in consumption and technology

3.56 Convergence makes it harder to consider radio as a distinct industry; it is now part of a wider media landscape. The consumption of audio is changing, as the content and the platforms used to deliver it evolve, but it still has unique characteristics.

3.57 In the audio market, broadcast radio has a particular role to play. Radio has consistently delivered public value over the past 80 years, and can do so in future.

3.58 Radio has content and characteristics that citizens and consumers value a great deal: news and information, companionship, interaction, localness, immediacy, and entertainment. Not all of these are exclusive to radio, but there is still a demand for these things as part of linear, streamed audio services, receivable free of charge on portable and mobile devices.

3.59 We can distinguish between radio as a distribution technology, and separately in terms of content. Digital technologies are an opportunity and a threat to both:

— A range of alternative digital platforms including fixed and wireless broadband, mobile and satellite can offer content that dedicated radio platforms have historically monopolised. Some of these platforms provide functionality not possible on the traditional analogue broadcast platform, notably interactivity and data services, and the ability to receive services from any location. These networks coupled with increasing device storage offer an increasing choice of audio services that can be accessed anywhere, and radio will need to respond to these new challenges.

— Radio brands and services have the opportunity in the digital space to become cross-platform, deliver their content in new ways, and offer new services including video and interactivity. Similarly, brands and services from other sectors have new opportunities to enter the audio space.

3.60 However, analogue terrestrial radio broadcasting as a technical distribution platform currently provides a unique combination of features: efficiency of distribution, universality, mobility, and ubiquity. The immediate challenge for the platform is that there is no more spectrum to cater for the demand for more analogue community services, or to provide more UK-wide analogue services to allow commercial radio to compete on a more level playing field against the BBC.

3.61 Radio as a content industry also currently provides types of content not easily available elsewhere, particularly 'soft' types of local content (i.e. community-building content like discussions, event coverage, local competitions), content catering to other niche communities, and specialised/selected music content. The immediate challenge for regulation of this industry is how to secure these for consumers, in the face of changing economics.

3.62 But the scale of the radio industry in the UK might make it difficult to sustain multiple sets of costs from different distribution mechanisms.

— Our financial analysis suggests that—compared with television—the radio industry has high operating costs, relative to revenues; and a relatively high proportion of operating costs are due to transmission (around 10% of commercial radio's revenues are spent on transmission).

— In a world where multiple distribution channels for radio content are likely to coexist, each having its own separate set of costs, there is a question of how many distribution channels are sustainable, given the scale of the UK radio industry.

The analogue radio market and the launch of DAB

3.63 The original radio services launched by the BBC in 1922 were on AM (also known as Medium Wave and Long Wave). However, there was limited availability of AM frequencies and so the amount of choice for listeners was limited.

3.64 In 1955 the BBC launched FM services. FM offered better sound quality than AM, but listeners needed to buy new radio sets to listen to FM stations. For many years the BBC broadcast all of its services on both FM and AM. When local commercial radio launched in 1973, it also broadcast its services on both FM and AM. This simulcasting on two wavebands may be one reason why it took until the 1980s for most listening to be to FM.

3.65 In the late 1980s both commercial radio and the BBC began to offer different services on FM and AM, so listeners now had to buy a set capable of receiving both AM and FM if they wanted access to the full range of services.

3.66 There are currently 5 national BBC radio networks (BBC Radios 1 to 4 on FM, and BBC Five Live on AM) and 46 BBC local and nations' stations. There are also 3 national commercial networks (Classic FM on FM and Absolute Radio and Talksport on AM) and there are 300 local commercial services plus 160 community services broadcasting on AM or FM.

3.67 In 1995 the first DAB services were launched. DAB now carries all of the national analogue services plus a number of digital-only services from the BBC and commercial radio. It also carries most BBC local and nations' services and the vast majority of the large local commercial services. The small local services and community services tend to be available only on FM. Coverage of DAB is currently just under 90% and new transmitters are still being opened. The services which are already available on DAB account for over 95% of all radio listening (although most of the listening to those services is still on analogue).

3.68 The vast majority of DAB sets now being sold also include FM, so listeners with these sets will be able to listen to all the services available in their area, both DAB and FM.

The place of DAB in a digital world

3.69 The Digital Britain report and subsequent Digital Economy Bill set out the Government's policy for DAB to become the primary distribution network for radio.

3.70 Digital technologies offer the consumer benefits of greater choice (both of audio content and of the means to access it), potentially more robust reception, data services (eg information to accompany radio programmes, traffic information), and easier service navigation using Electronic Programme Guides.

3.71 At present DAB accounts for the majority of digital radio listening. It is the only digital radio platform in the UK that offers coverage to mobile devices (notably cars—albeit with limited current availability) and is free-to-access (without charges for either content, or carriage of that content). It has considerable take-up and usage: The DRDB reported over 10.0m sets sold by the end of 2009; RAJAR reported penetration of 32.3% of households (Q3 2009) and a 13.3% share of all radio listening compared to internet listening at 2.2%)—see Table 1. This together with the investment in transmitter infrastructure made by the BBC and the commercial sector means that there would be substantial consumer (and industry) detriment associated with the loss of the DAB platform.

Table 1: Radio listening by platform

	Sept '08	*June '09*	*Sept '09*
All Radio Listening			
Weekly Reach ('000) ~	45,084	46,327	45,721
Weekly Reach (%) ~	88.9	90.3	89.2
Average hours per head	19.8	20.1	19.7
Average hours per listener	22.3	22.2	22.1
Total hours (millions)	1,003	1,029	1,008
All Radio Listening—Share Via Platform (%)			
DAB	*11.3*	*13.1*	*13.3*
DTV	*3.2*	*3.6*	*3.6*
Internet	*2.2*	*2.2*	*2.2*
*Digital Unspecified**	*1.9*	*2.1*	*2*
All Digital	18.7	21.1	21.1
AM/FM	68.4	66.2	66.1
Unspecified*	12.9	12.7	12.8
Total	100.0	100.0	100.0

Source: RAJAR/Ipsos MORI/RSMB

* Inevitably, there is a certain amount of unspecified listening because either the respondent is unsure, or it is not always possible for them to know whether the station to which they are listening is being broadcast on analogue or digital, or via which platform. Every effort is made by RAJAR to ensure the instructions given to both interviewers and respondents.

~ The unduplicated number of different people listening to any specified service over a specified period of time, expressed as a percentage of the total universe and/or as an absolute figure.

3.72 There are various other digital platforms, and each is suited to different listening requirements. Currently some have limitations, but these may be overcome in time.

— Portable WiFi radios may become the norm for listening to internet radio: these devices could take off once channel navigation becomes standardised, and device cost decreases (a likely outcome of global market scale).

— The universal accessibility of digital television and broadband from 2012 may change the picture of how radio services are consumed, and how radio services fit in the overall picture of audio consumption.

— The current advantage of mobility that DAB enjoys over internet radio may be eradicated by new 4G/LTE mobile broadband, or by new multicast technologies delivered on current wireless access networks (eg MBMS over 3G), although it is likely in either of these cases that consumers would need to pay to access radio services delivered in this way (even if the operational efficiency becomes closer to that of DAB through implementation of multicasting technology).

3.73 It is difficult to predict how these will grow in future, and which may become the frontrunner. A lot will depend on the content and services that are offered on different platforms, and the ease and cost of accessing them.

3.74 We believe that, whatever other digital technologies may emerge in the next few years, DAB will be crucial for the digital delivery of free-to-access, linear audio services to affordable portable and mobile devices.

3.75 It is likely that consumers, faced with greater choice of services and service types on other audio platforms, will have emerging needs and expectations that a simple DAB platform cannot satisfy. Our ongoing analysis therefore suggests that the core DAB service offer will over time be enhanced by other networks (including broadband and mobile wireless) to deliver a wider range services and functionality (niche channels, interactivity, targeted content/programmes and advertising).

3.76 We therefore think that DAB could become the "Freeview of the radio world", in two senses:

— First as a consumer proposition of a wide range of free-to-access mainstream and niche services;

— Second as a bedrock, entry-level platform that would be supplemented by a range of other audio delivery technologies.

3.77 If this is to happen, then Government, Ofcom, and industry stakeholders will all need to play a role in facilitating the continued growth of the DAB platform.

— Regulation and legislation will need to change to facilitate the continued growth of the DAB platform. The Digital Economy Bill includes provisions which would allow Ofcom to allow commercial operators to improve their viability and facilitate digital switchover. Ofcom has already set out in a consultation how we might implement some of the changes the legislation would permit should Parliament decide to take forward these provisions.

— Coverage and reception will need to be improved, as the Digital Britain report noted. This will need action from both BBC and commercial industry stakeholders, and may need facilitation from Government and/or Ofcom.

— Perhaps most importantly, though, we recognise that consumers will be driven to use the DAB platform by the content and data services that it offers. We therefore look to the radio industry to provide a wider and more consistent offering of high quality content, and also to develop and promote greater use of the other consumer benefits DAB can offer in terms of programme guides, text and data services.

3.78 In proceeding towards any digital migration, much depends on the timescale, the detail, and the industry's appetite for commercial investment and marketing. But it is more likely that the timescale suggested in the Digital Britain Report will be met if Ofcom and Government take a series of actions to ensure the regulatory and legislative framework supports existing services and platforms so that migration could occur, for example, to facilitate greater take-up of DAB.

The structure of the DAB market in the UK

3.79 DAB operates using multiplexes (a single frequency which carries up to 11 services). There are currently two national multiplexes (one BBC and one commercial). Because each multiplex operates on a single frequency across the UK it cannot offer different programmes in different part of the UK.

3.80 There are also currently 46 local multiplexes around the UK with 13 more licensed but not yet on air. Further frequencies are available to provide local multiplexes for those areas not yet served. (see Annex 1—map of local and regional multiplexes)

3.81 The multiplex system has several implications:

— All of the services carried on a multiplex have identical coverage

— Building a local multiplex is quite expensive compared to FM

— But because a multiplex can carry up to 11 stations, the cost of the multiplex can be shared between those stations

— Therefore DAB is not an appropriate technology for single local stations who have no-one else to share the costs

— Even if it was economic for each small scale station to have its own multiplex (which it isn't) there is insufficient spectrum to allow for this.

3.82 The BBC's local radio services in England, and BBC Radio Scotland, nan Gaidheal, Wales, Cymru and Ulster have reserved capacity on the relevant local commercial multiplexes. There is no spectrum to give the BBC it own local or nations' multiplexes and in any case this would not be sensible as the BBC would only have a couple of services to put on the local multiplex in each case, so it would not provide good value for money.

3.83 (Note: some have suggested that the UK should switch now from DAB to DAB+, a later variant of DAB technology. The main difference between the two is that DAB+ allows for a greater number of stations to be carried on the same amount of spectrum—estimates vary between 50% more and 250% more. DAB+ is therefore a more spectrum-efficient technology, which could mean lower transmission costs per station carried, provided that there was sufficient demand from operators wishing to provide services in the area covered by that DAB multiplex. However, of the 10 million DAB sets sold in the UK, only a tiny proportion can receive DAB+ transmissions. In the future we expect all new sets sold to be capable of receiving DAB+, but at this stage the installed set base suggests a move to DAB+ transmission would not make sense either for listeners or for stations operators for a number of years, until the vast majority of sets being used can pick up these services.)

The different sectors within radio, and the issues facing each

3.84 The BBC continues to play a major role in radio in the UK, accounting for over half the audience. The BBC's five analogue UK-wide services and 46 local and nations services are complemented by five digital-only stations. The BBC has been at the forefront of promoting digital radio take-up.

3.85 We believe the aim should be to put in place the regulatory and legislative conditions which will allow three different tiers of radio to thrive alongside the BBC, both now and in an increasingly digital and converged world. Based on audience research and financial analysis we have so far carried out, a successful and sustainable future radio market could consist of:

- At the UK-wide level, a larger number of commercial radio stations than today: catering for both mainstream and niche audiences, providing a plurality of voices and viewpoints, complementing and competing with the BBC's existing UK-wide services.
- At the large local and Nations level, a set of viable commercial radio services in every part of the UK (probably fewer stations in number than today). These would be of a size large enough to deliver high quality local news and information services as well as "softer" types of local content, and would provide a plurality of voices and viewpoints, complementing and competing with the BBC's existing services.
- At the most local level, a tier of small-scale stations, some commercial and some community, focusing on local programming for the communities they serve, wherever there is demand and such services are sustainable (ie not ubiquitous).

3.86 All of these services should be available free-to-access, on affordable mobile and portable devices.

3.87 A major issue for the radio industry is that the costs of transmitting on both analogue and DAB are high. The majority of listening is still to analogue but DAB offers benefits in terms of new opportunities for more stations, better reception and, particularly for national services, cheaper transmission costs (around £800k per national station per annum on DAB compared to around £3m per annum for FM).

3.88 But for small stations, the costs of DAB transmission are prohibitive (around £70-100k per station per annum on DAB compared to £5-25k on FM) and the technology is not suited to individual local stations covering a bespoke area.

3.89 As a result, the operators of national and large local stations have been arguing for a switchover from analogue to DAB for their stations. Operators of smaller stations are worried about being left behind on analogue if most listening transfers to DAB, but recognise they could not afford to transfer to DAB themselves.

3.90 As set out in the Digital Britain report and provided for in the Digital Economy Bill, in the event of DAB migration, the first two tiers would migrate to DAB-only, and the lowest, most local tier would remain on FM (although they may choose to simulcast on digital platforms).

National commercial services

3.91 Commercial radio services can achieve scale through UK-wide audiences, enabling them to invest in content and talent to create mass appeal services, or to make niche services viable. But historically there has been little competition for the BBC or plurality at the UK-wide level, mainly due to spectrum constraints. Digital platforms offer an opportunity for commercial radio to compete with the BBC in terms of choice and variety at a national level.

- There are only three analogue UK-wide commercial services and only one of those (Classic FM) is on FM. While it would be possible to reconfigure the FM band to provide an additional two or three UK-wide services, this would take many years to achieve, would need international coordination, and would be at the expense of losing local stations.
- An alternative would be to allow existing local analogue stations to merge, but at best this would also only create two or three quasi-national services, and also at the expense of localness.

— DAB (or another broadcast digital platform) can overcome this spectrum limitation, because of the possibility of distributing multiple services through a single multiplex. The problem then becomes an economic one: finding the resources to invest in content until the take-up of that digital platform grows enough to provide sufficient revenues.

— There is a chicken-and-egg element to this: DAB take-up has not been as fast as it might have been due to the lack of a range of well-funded, well-marketed commercial stations to complement the BBC.

Large local commercial services

3.92 Local radio is highly valued by audiences, for informational content such as local travel and weather, for local journalism and news, and for "softer", community-building local content, such as discussion, entertainment guides or just a shared sense of local identity between presenter and audience.

— Local radio is provided by the BBC at county level for most places in England and by nations' services in Scotland, Wales and Northern Ireland. It is also provided by over 300 local commercial radio stations across the UK ranging in population size from a couple of thousand to ten million. Around 150 of these 300 commercial stations are already carried on DAB. (Note: In total over 95% of all radio listening is to stations already carried on DAB)

— Audience views of the most appropriate level of localness vary (eg depending on where they are in the UK) but there is a strong public service argument for ensuring that every part of the UK has both BBC local (or nations') radio alongside at least one well-resourced local commercial competitor.

— We would want these commercial stations to be large enough to be viable, but also to be close enough to the communities they serve to remain relevant. This would require some restructuring of the current market.

Small-scale radio

3.93 Community radio is a recent innovation in the UK. Stations operate on a not-for-profit basis, generally covering small areas of up to 5km radius, and are required to deliver social gain to one or more communities.

— 215 stations have already been licensed (160 are already broadcasting). Some serve geographic communities while others serve communities of interest such as minority ethnic groups, young people or religious groups. Most are staffed largely by volunteers and each station has a set of 'key commitments'—part of its licence—specifying how it will deliver social goals, for example in respect of training, access and accountability.

— While there are a large number of stations, taken together they only cover about 15% of the population and have limited financial resources and so for many consumers, community radio cannot replace local commercial radio.

— The further growth of community radio is now very limited due to spectrum constraints and so the proportion of the population served by community radio is unlikely to grow significantly beyond the current 10% unless a digital solution is found or spectrum is freed-up by the migration of larger local services to DAB.

3.94 Small-scale commercial stations (generally those under around 300,000 population) often share some of the characteristics of community radio. Many stations at this level are struggling financially. Although commercial stations have greater freedoms than community stations in terms of output and raising revenues, there may be a case for considering the small-scale radio sector as a whole (commercial plus community) in future. It is worth noting that these stations currently account for less than 5% of all radio listening but they nevertheless make a valuable contribution to local communities.

3.95 Small-scale commercial services and community services cannot generally afford carriage on DAB and in any case the size of the DAB footprint and technical characteristics of DAB do not make it suitable for small stations.

3.96 For this reason, this tier of radio services is currently not expected to be part of any digital migration plan, and is likely to remain on FM for the medium-term, although many are also available online. In the longer-term, the aim should be to find a suitable way to migrate both small-scale commercial stations and community stations to digital platforms. A migration of DAB to DAB+ at some point in the future may provide an answer for some of these stations in the future but is unlikely to be suitable for all.

3.97 In the event of digital migration of national and large-local stations, we would expect that this tier of smaller stations will benefit from the availability of freed-up FM spectrum, allowing any community that wants and can support such a station to have one. But in the meantime we need to ensure that this tier of small-scale stations has sufficient flexibility to maximise their chance of success in serving their audiences.

3.98 *Note:* The distinction between large and small-scale stations. Community radio stations are clearly demarcated, but there is no clear or statutory distinction between large commercial radio stations and those that operate at a small scale. In due course it will be for the Secretary of State to determine which stations migrate on the basis of which stations are small and which are large. The boundaries between these categories have not yet been drawn, but we have suggested four criteria, broadly correlated, which the Secretary of State could use to distinguish small commercial radio stations from larger: the proportion of the existing local DAB multiplex area covered, the adult population covered, the geographical area covered, and the fact that these stations are not currently simulcast on DAB.

Annex 1

MAP OF LICENSED LOCAL AND REGIONAL DAB MULTIPLEXES

Local multiplexes shown in solid colours, regional multiplexes shown hatched.

Examination of Witnesses

Witnesses: Mr Stewart Purvis, Partner for Content and Standards, Mr Peter Davies, Director of Radio Policy & Broadcast Licensing, and Mr Greg Bensberg, Senior Adviser, Digital Switchover, Ofcom.

Q148 ***Chairman:*** Welcome. Thank you very much for your memorandum which is extremely useful. It sets out the position extremely well. It also reminds us of some of the underlying issues here. We are going to deal with radio a great deal this morning, and perhaps you could take us back to first principles and summarise the basic case for digital switchover as far as radio is concerned. There is going to be a lot of upset—that seems to be fairly clear. Why are we doing it?

Mr Purvis: Let me make a start, and then I will ask Peter, who is the real expert, to talk to that. At the beginning of our memorandum we talk about terminology: what is the difference between switchover, upgrade, migration? Personally, I quite like the word "upgrade." Some of us will remember when there were medium wave and long wave (as we called them then). They were the two main bands, and there were some other opportunities: short wave, et cetera. Then we moved up to AM (as we then called medium wave) and FM, and so we had two bands there. It is proposed that we move up again, if you like, to DAB and FM. The crucial point we have made in the memorandum is that that does not involve switching off analogue radio; it does mean that digital audio broadcasting becomes the primary platform as opposed to the primary platform being regarded as FM. Basically the idea is that DAB, or digital radio in its different forms, offers many more opportunities, much more choice. Perhaps I could illustrate this. On my way in this morning, I updated my small DAB radio and up came 60 stations in London. It would not be the same in other parts of the countries, but 60 stations in London. That reflects the diversity of the UK. There are national services for Asian listeners, for Christian listeners. In London there are programmes for Arab listeners, for audiences from the gay community. There are specialist Christian services and a service fit for Polish people. These are services that could never in truth have existed just in analogue radio: there simply was not space to fit them all in. What is being offered is more choice than there has ever been, but of course with choice comes the issue of viability and the impact on the economics both of the old players and the new players, and particularly issues we think arising in the nations and regions. That is the point of it: more choice, more availability, but, frankly, not to be naïve about it, there are issues that come with that.

Mr Davies: Stewart is absolutely right: there are big benefits for consumers in terms of choice, but also in terms of new types of services, the text and data services that go alongside digital radio services. We are inevitably moving into a more digital world anyway. Obviously radio has been available over the internet for quite some time and over DAB, and so moving in that way anyway, and the consumers are getting the benefits. The problem as far as industry is concerned, as Stewart says, is viability, and particularly the problem of dual transmission costs which many stations face. Switchover is trying to get to a point where those large local and national stations can have a viable future on DAB with a radio-specific platform that will fit the UK for the next couple of decades.

Q149 ***Chairman:*** Upgrade is perhaps a much better description than switchover. If there was more spectrum space, that would allow more UK-wide services. Is that one of the arguments? Is one of the argument s better competition with the BBC?

Mr Davies: Absolutely. In the analogue world there was only room for three commercial national services, two of which were on AM, where listening has been declining for many years, so digital, DAB in particular, offers the commercial sector a chance to operate more on a level playing field with the BBC.

Q150 ***Chairman:*** You come back there not so much to the economic viability of switchover but to the economic viability of the industry, do you not? Who is going to compete with BBC radio on news, for example, on a national scale?

Mr Davies: They compete in different ways. It would be very difficult for a commercial operator to compete head to head with Radio 4, say, but they can certainly compete with some of the BBC's other services, and also offer the sort of range that Stewart talked about. If you look at national services now, there is a national Christian radio service and a national Asian radio service, so it can cater for those sorts of niches. The other thing worth pointing out is, as you say, it is expensive to broadcast nationally but it is a lot cheaper to broadcast nationally on DAB than it is to broadcast nationally on FM. It is between a quarter and a fifth of the cost for a national station.

Q151 ***Lord Maxton:*** Broadcasting on the internet is even cheaper, presumably.

Mr Davies: It depends. Broadcasting on the internet is very cheap if you are a niche service and you are not reaching many listeners. The problem with the internet is that the costs go up incrementally with every additional listener. If you were Radio 2 trying to reach all those listeners only via the internet, it would be prohibitively expensive. For large national stations, mass-market stations, DAB is the most cost-effective solution.

Q152 ***Chairman:*** Tell me about the economic position of the radio industry. You are giving greater opportunities, but at the moment the information we have seems to indicate that radio revenue is going down. I would not say that commercial radio is in a fragile state, but even in the period that we have been doing this Committee the revenue for commercial radio has gone down quite substantially.
Mr Davies: Yes, that is right. There are probably two issues there. One is that the industry wants to avoid these dual transmission costs, and so a move to digital-only would help them avoid some of those costs. The other is that we want, at the same time, to try to restructure the industry. That is why the Digital Economy Bill, should it go through, gives the power to create defined areas within which stations can have a lot more freedom as to how they operate. It is to try to make the industry more viable and also to allow some of those brands which operate regionally at the moment to become national stations, to give them increased viability.

Q153 ***Chairman:*** You would have three limbs, in a sense. You would have the national level, then you would have the big local level, and then you would have community radio.
Mr Davies: Exactly. Yes.

Q154 ***Chairman:*** It does seem to me, reading what you have to say, that the big beneficiary of all of this looks like community radio. Or am I wrong?
Mr Davies: I think commercial radio benefits quite a lot as well because it presents those opportunities for becoming national. Stations that Global operate or that GMG operate, stations like Smooth or Galaxy which at the moment are only in certain parts of the country, can have the opportunity to become national.
Mr Purvis: In addition to the initiatives we are taking to help the industry via this, we also have proposed the abolition of the local media ownership rules, which is a matter for the DCMS Secretary of State to decide. We have also suggested other initiatives that we are discussing with the radio industry about the kinds of commercial references they can use on their programmes to possibly create new funding. It is part of a wider picture.

Q155 ***Chairman:*** The Digital Economy Bill is rather an important step for the industry, is it not?
Mr Davies: It is, in that it enables switchover or upgrade to take place but also allows us to restructure the way that local radio operates in the analogue world at the moment.
Chairman: It is going at such a speed in the House of Lords that I should think it will be about 2013 when it comes through!
Lord Gordon of Strathblane: It speeded up last night, My Lord Chairman.
Chairman: You are quite right.

Q156 ***Lord Gordon of Strathblane:*** On one of the points that Stewart Purvis made, one of your recommendations was a freeing up of the ownership rules. Is there any reference to that in the Digital Economy Bill?
Mr Purvis: As I understand it, the Secretary of State has not yet commented on our recommendations.

Q157 ***Lord Gordon of Strathblane:*** And yet, arguably, that is going to be a major change in the fortunes of local radio stations.
Mr Purvis: That is what lay behind our recommendations, yes.

Q158 ***Lord Gordon of Strathblane:*** You have been mentioning the benefits of national and regional stations. Is the localness bit almost not disadvantaged in a digital environment?
Mr Davies: We are trying to restructure the industry to take away a lot of the regulation around local radio at the moment, particularly for the smaller local stations, so that they can co-locate with each other, they can share programming. Are you asking about whether they are left behind in an analogue world?

Q159 ***Lord Gordon of Strathblane:*** I am wondering, since the blueprint of digital tends to be over a larger area where there are bigger cost savings, what is the point in having a small station wasting 90 per cent of its efforts broadcasting to people who really have no interest in that locality.
Mr Purvis: Perhaps I could answer that first and then Peter can pick it up. There is a difference. When we talk about the three levels, at the third level it is proposed not just community but small local staying on FM. The twist of digital technology is that for a local station of the smaller size, the cost of getting your signal out to listeners increases because of what is called multiplexing. We have tried to come up with a framework that accommodates that, but we say, and government, indeed, says, that there is a role on FM for small local as well as community. The difference between small local and community is a subject to come back on. Sometimes it is said that they will be left behind, but this is a choice for them. They can either go the digital route or the small stations can stay just on FM.

Q160 ***Baroness McIntosh of Hudnall:*** Forgive me if this is a real idiot's question, but I am struggling with how costs are incurred by these stations in broadcasting in one way or another. You made an observation, Mr Davies, in response to Lord Maxton, that the cost per listener of broadcasting via

the internet goes up listener by listener, in effect. It is, I am afraid, quite hard for some of us to understand exactly what this financial model is. It is not people—most of these stations are broadcasting with a tiny number of people, as I understand it—so what is causing these costs to grow in this way and what are the basic units of cost that a small digital radio station incurs?
Mr Davies: Let me try to explain very simply the way that multiplexes work. A multiplex puts together a number of stations, up to ten or 11, on a single frequency and broadcasts to a given area. If you have a national footprint or a large local footprint, there are enough stations there to fill up a multiplex and to share the cost between them. Digital uses more transmitters to cover a given area than analogue. If you are a single station, it would be more expensive to have your own multiplex to broadcast because you would have nobody to share the costs with. That is why it is more expensive.

Q161 ***Baroness McIntosh of Hudnall:*** Are those capital costs and revenue costs, or are they just revenue costs? It is the whole deal, is it?
Mr Davies: There obviously is a capital cost. The way it works is that the multiplexes are operated by the multiplex licensee, which then charges an annual rate to the stations. It is an ongoing revenue cost.

Q162 ***Lord Maxton:*** When you talked to me about the internet, that was for broadcasters who broadcast on the internet.
Mr Davies: Yes.

Q163 ***Lord Maxton:*** For the BBC, already broadcasting a station, presumably the cost of putting that onto the internet as well is not so great.
Mr Purvis: There is a difference between traditional broadcasting, where you send out a signal and it really does not matter to the sender how many people receive it, and the internet, where it does.
Mr Bensberg: Each viewer has its own separate stream of signals from the broadcaster on the internet, so the more listeners, the more streams, the more the broadcaster has to pay for the capacity of the service, whereas, as Stewart says, broadcasters, once you have paid your capital costs and your operating costs, whether it is 1,000 or £100,000 makes no difference to you.
Mr Purvis: It is more akin to newspapers, where you have to print more copies for more readers. In broadcasting, you do not.

Q164 ***Chairman:*** In the very first sentence in your radio section, you say, "Convergence makes it harder to consider radio as a distinct industry; it is now part of a wider media landscape." But you then go on to say that it is a distinct industry. Is that your view?
Mr Purvis: In terms of usage, undoubtedly broadcast usage dwarves all the other podcasts and online usage at the moment, but those proportions may change. I do not know, Peter, your view of how it is going to change. We know, because audiences tell us, that they like listening to things on the radio, but they have also noticed there are other ways of receiving audio, if we want to describe it as that. But the proportion of impacts on audiences, of ratings, if you like, on broadcast radio, are a long way ahead of other distribution models. If you then take an area like music and say, "Yes, but how many people listen to music on their iPod or MP3 player, through earphones, compared to listening to a radio?" that is a different way of looking at it as compared with people listening to a linear radio service on a non broadcast stream. We have tried to consider that and other issues. We have talked to industry about the future of music formats in the light of these developments. But in a sense we have a responsibility: Parliament has asked us to have responsibility for services in broadcasting, and that is what we are trying to achieve.

Q165 ***Lord Inglewood:*** I would like to go into the question of the multiplexes a bit more. There are two aspects to this: first, the digital links, and, second, the transmission. As far as the national services on a digital multiplex are concerned, are they, as it were, a parallel but different system of transmission from the local services?
Mr Davies: The way it works is that there are two national multiplexes, each of which have a single frequency and they can carry ten or 11 services each. There is one for the BBC and one for commercial.

Q166 ***Lord Inglewood:*** You can in a sense put them on one side.
Mr Davies: Yes.

Q167 ***Lord Inglewood:*** When you are thinking about local radio.
Mr Davies: Absolutely.

Q168 ***Lord Inglewood:*** Then I think you have licensed 13 local multiplexes.
Mr Davies: There are 40 currently on air. We effectively have three layers of digital. We have two national multiplexes. There are then six regional multiplexes, which cover areas like North West England, Central Scotland, and between them cover about half the country. Below that, there is a layer of 40 local multiplexes, with, as you say, another 13 which have been licensed which are not yet on air. Each multiplex, whether it is national or local, can carry ten or 11 services.

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Q169 ***Lord Inglewood:*** At any one time, if you have a DAB receiver, you can get all the BBC national ones, all the national commercial ones, plus the regional ones, plus the particular lot on your localised local multiplex.
Mr Davies: Exactly.

Q170 ***Lord Inglewood:*** So you have 60 or whatever it happens to be options.
Mr Davies: Yes.
Mr Purvis: Of the 60 I was flicking through this morning, some were BBC national, some commercial national/non BBC national, and some were stations you could only receive in London.

Q171 ***Lord Inglewood:*** I suppose I should have declared an interest as Chairman of CM. I do that now. Is there any problem that the radio services are finding in getting onto the multiplexes? If you are a regional service, you obviously want to get onto the regional multiplex. There is no problem in regional people on analogue moving over to and getting onto the multiplex. The multiplex owners are not posing problems, particularly if they have interests in other rival businesses?
Mr Davies: That is a potential danger, but there are conditions in each licence to ensure that the multiplex operator has to offer fair and reasonable access to anybody who wants carriage. If you look at all the stations in the UK and all of the radio listening, 95 per cent of all of listening at the moment is accounted for by the stations that are already on DAB, which tend to be all those large local and regional services.

Q172 ***Lord Inglewood:*** In short, the migration, where people want to migrate, is working smoothly.
Mr Davies: Yes.

Q173 ***Chairman:*** Going back, you awarded 13 local multiplex licences between 2007 and 2009, but none of them is on the air as yet. Is that right?
Mr Davies: That is right.

Q174 ***Chairman:*** Why is that?
Mr Davies: I think it is partly the economic conditions at the moment, but more importantly it is the fact that there has obviously been a lot of discussion going on about the future of DAB. There was the Digital Radio Working Group and then *Digital Britain,* both of which called for the local map to be redrawn, and so the operators of those 13 licences which are not yet on air do not want to spend the money at the moment building infrastructure which they may then have to alter. They are hanging fire until this process is over, but we know that some of those are planning to launch this summer.

Q175 ***Chairman:*** The demand you think is there for them.
Mr Davies: Yes.
Mr Purvis: They just want to know what the map is going to be.

Q176 ***Lord Maxton:*** As I understand it, the bulk of the radio licences which you grant are due to run out next year, but there is a difference between those who have and are going to continue with FM and those who are switching to digital. Could you explain exactly what is happening with these licenses in 2011?
Mr Davies: All analogue licences are issued for 12 years. Those who then decide to go on DAB as well, get an extension for a further 12 years. Those licences were issued at various points in the past. They have run out on a rolling basis. At the moment we are not distinguishing between what happens to those which are on DAB and those which are not, other than for this automatic extension. As licences end, whether they have had their extension or not, we then re-advertise them, effectively, but we have said that at the moment we are re-advertising them just for five years or until 2015, whichever is the later, so that we do not get into a mess, should Parliament and government decide that they want to go for digital upgrade, and have licences in existence which cannot be terminated. It was to try to create a system to give maximum flexibility.

Q177 ***Lord Gordon of Strathblane:*** I can understand its purposes, but does that not leave a radio station which is not on DAB slightly worried for its future beyond 2015?
Mr Davies: Obviously they can apply to be re-licensed. The problem at the moment is we are not quite sure which ones will want to migrate and which ones will not. I think you are right: at some point, probably even when the Digital Economy Bill is passed, we need to revisit that position for the small scale stations.

Q178 ***Lord Gordon of Strathblane:*** Do you not think it would strengthen support from the radio industry for the Digital Economy Bill if they felt slightly more secure?
Mr Davies: We just did not want to pre-empt the debate in Parliament really.

Q179 ***Lord Maxton:*** Really? There is one specific radio licence which deals with traffic reports, particularly for SatNav re-use.
Mr Davies: Yes.

Q180 ***Lord Maxton:*** That one, I gather, has to be renewed next year and is not going to be rolled over. Is that right?

Mr Davies: There is no provision in current legislation or in the bill to roll it over at the moment.

Q181 ***Lord Maxton:*** It is just being ignored.
Mr Davies: I would not say it is being ignored. It is certainly being thought about. Certainly government is aware of it.

Q182 ***Lord Gordon of Strathblane:*** Let us assume the Digital Bill goes through in one form or another, once it is through, and you are not pre-empting Parliament, would there not be a case for reverting to 12-year licences rather than simply licensing up to 2015?
Mr Davies: There may well be, yes. That is something we will be looking at.
Mr Purvis: We would not rule that out. We have just said that there is a right time to make that judgment. While Parliament is discussing these issues does not appear to us to be the right time.

Q183 ***Chairman:*** What would your role be then? Would you recommend to the Department or would the Department ask for your advice? What would the structure be? You say that you do not want to pre-empt the decision of Parliament—which of course as parliamentarians we are all very happy to hear—but how do you get involved? Is the Department asking for your advice?
Mr Davies: The way the legislation works at the moment, we can licence up to 12 years. We have the discretion. We would obviously consult publicly before making any change to our current policy, which was consulted on a couple of years ago.

Q184 ***Chairman:*** It is your decision.
Mr Davies: There is no new legislation required.
Mr Purvis: On virtually every issue some decisions are for us and some are for a government department and we are very aware of the differences. But I can assure you there is a constant dialogue with the relevant officials about these issues, so that they are aware of the detail when they are, for instance, putting forward legislation.

Q185 ***Lord Inglewood:*** Is not one of the basic points behind all this that anyone who holds a licence, particularly an analogue licence, is not in any way going to be put in a worse-off position than they are now as this digitisation of radio services and partial digitisation of radio services rolls out? Is that not true?
Mr Davies: Yes.

Q186 ***Lord Inglewood:*** For want of a better way of putting it: there are bribes on offer for those who go digital, but you are not being penalised for not going digital.
Mr Purvis: That is right, but I suppose it is a difficult decision for these small stations, because they have to make long-term forecasts about the growth of digital, about where listening is going to move to. I think it is important that the manufacturers, some of whom were at one point producing DAB-only sets, now absolutely produce as standard DAB-plus-FM sets—which is a recognition that it is an upgrade that is a two-band system. But, in a sense, those smaller stations do have to take some quite interesting decisions about which path they are going to take. Are they going to take up some of the options which allow legislation, effectively, for mergers, for changing the shape of their local pattern and go on to DAB? Or are they going to stay at the same size on FM? Is FM going to fall away in due course or—which it is worth mentioning again—is the re-licensing of FM, the new opportunities that come from FM in terms of localness and community stations, going to reinvigorate FM into more of a local service? Those are choices for stations. They are not choices for regulators.

Q187 ***Lord Inglewood:*** That is right, as Chairman of a company that owns some of these stations.
Mr Purvis: Yes.

Q188 ***Lord Inglewood:*** But the problem is that every business, whatever it is, has to decide what the future offers it.
Mr Purvis: That is right.

Q189 ***Lord Inglewood:*** And act accordingly.
Mr Purvis: Exactly.

Q190 ***Baroness Howe of Idlicote:*** Looking at how valuable to the local community is local radio, there was some reference as early as 2007 to clear evidence, but what evidence is that and where did it come from?
Mr Purvis: As usual, you would expect Ofcom to have been fairly thorough in its analysis. Peter, do you want to talk about that?
Mr Davies: Yes. I guess it comes from two sources. There is the research to which you referred, which is a little bit old now—it is a couple of years old—where we asked people all over the country how much they valued local radio. The message came back very clearly that they do value local radio, primarily for local news and information, but also for the sort of softer content, that sense of identity that local radio provides. That is one source of evidence. The other is the RAJAR figures—which is the industry audience research body—which demonstrates that local radio still reaches well over half the population every week, so there is still an audience demand for it.

Q191 ***Baroness Howe of Idlicote:*** I would like to move on to the whole business of whether you have made an estimate of how many small local and/or community stations will be able to occupy the vacated FM spectrum—because that one is quite important—and I will come back to another point about just how guaranteed people feel about the continuance of FM because of how long it is going to be around and whether that needs writing into the bill and so on.
Mr Davies: In terms of the number of stations that could be accommodated in the freed-up spectrum, it is difficult to say, because it will depend on exactly where they were and how large they were, but certainly there is room for several hundred more community radio stations on FM should that spectrum be freed up. In terms of whether FM will continue and whether it needs something in the bill, it is sort of there by default. It enables us to move stations to digital; it does not effectively shut down FM. The fact that FM will continue elsewhere in the world for many years to come means that FM in this country as well will be around for a long time to come.

Q192 ***Baroness Howe of Idlicote:*** But some local radio stations do not seem very happy about the certainty that you seem to be giving that FM is around for ever, as it were.
Mr Davies: I am not sure what more we can do to reassure them on that, but it certainly will be. Their uncertainty is more whether they will be forced to go digital or not. Certainly we are not planning to force those small scale stations to go digital. As Stewart Purvis said, they have a choice as to whether they want to merge with other stations to become larger and go on DAB or stay as they are, and that is very much a business decision for them.

Q193 ***Bishop of Manchester:*** Following on from that, when we talk about community radio, often we are referring to it in geographical terms. Earlier, on a national basis, you were referring to interest identity groups and you specifically mentioned Asian and Christian. Are you able to give an indication of the sort of balance within community and local radio between ones that are very obviously geographical and the others which have an interest or identity basis?
Mr Davies: I do not have the figures with me, but we could certainly send you those.

Q194 ***Bishop of Manchester:*** I am interested in exploring in what ways community radio is being used, and whether it becomes increasingly a niche means whereby people who might otherwise feel particularly hidden within a geographical area are able to articulate their presence.
Mr Davies: There is certainly a wide range of different types of community radio station. If you take Manchester, for example, there are stations in some very deprived areas of Manchester which are geographic stations. Again in Manchester there is also a station for the gay community and there are Asian stations. If you look elsewhere in the country there are stations for army bases, for different ethnic minorities. There is a very wide range. We have licensed over 200 so far, with over 160 on air.

Q195 ***Bishop of Manchester:*** It would be interesting to explore the figures, to see whether it is developing as chiefly a network kind of broadcast or whether it is traditional geographical.
Mr Purvis: One way of expressing it is that there are probably now three kinds of stations. There are absolutely for-profit stations; there are not-for-profit stations; and there are, in the middle, what we might categorise as not-for-loss stations—into which I would put the Christian stations. Most of them are not advertising-funded, they are supporter-funded. In a sense, you could see the growth of more supporter-funded services—and that would not be a bad thing. It would seem to me that would be a way of serving interest groups across the country or in particular parts of the country as opposed to in just local localities.

Q196 ***Chairman:*** Does that mean that you could have the kind of stations that one has in the United States, with evangelicals—I was going to say "parsons" but I had better watch my terminology with the Bishop here—making appeals for money?
Mr Purvis: We have separate rules all about appeals for money.

Q197 ***Chairman:*** That is not allowed at the moment?
Mr Purvis: Basically, not allowed.
Chairman: Lady Howe, we interrupted you.

Q198 ***Baroness Howe of Idlicote:*** This is the last point I want to make. How do you make the distinction between a local station and a small local station? How do you judge which is which?
Mr Davies: That is something that the Secretary of State will decide in due course. In the consultation we put out last summer, we suggested a number of criteria which the Secretary of State could use to judge which were the small stations.

Q199 ***Baroness Howe of Idlicote:*** Which were?
Mr Davies: Which were whether the area that they cover covered a reasonable proportion of the appropriate DAB multiplex; what their existing population is—and I cannot remember what the others were. There were four criteria that we suggested. I think it was to do with the level of

revenue that they had as well. We only wanted to start the debate really. I do not think any decisions have been made. It would not be appropriate at this stage to make decisions.

Q200 ***Baroness Bonham-Carter of Yarnbury:*** You have said there are separate rules about local channels where appeals for money are concerned. What about where what I would call radio bigot might arise?
Mr Purvis: The Ofcom Broadcasting Code, which of course covers radio and television, tries to strike a balance between freedom of expression, which is rather dear to many of us, and what you might want to describe as harm and offence. I am a little circumscribed in talking about it because somebody is in court his morning challenging our interpretation of that balance. In a sense, that is the balance we are trying to achieve. Traditionally, there have been cases brought to us. I can remember where somebody went on air on a national radio station and said "Vote for Boris." We deemed that was a breach of the rules.

Q201 ***Chairman:*** Which rules were they?
Mr Purvis: Basically the rules about impartiality and then particular complications with no jurisdiction.

Q202 ***Chairman:*** You would not be able to have party political radio stations.
Mr Purvis: Not certainly under the current code.

Q203 ***Chairman:*** The Lib Dems would not be able to start a radio station.
Mr Purvis: Not under the current code, no. We would not be naïve in thinking that certain radio stations are not more interested in talking about some subjects than others. I have always argued, from my own background, that there is a difference between the agenda of the day and how you cover the stories. Impartiality covers the stories you cover obviously.

Q204 ***Baroness Bonham-Carter of Yarnbury:*** You are going to police very, very local stations in the same way.
Mr Purvis: In the same way, unless Parliament decides to change the code. There have been Members of Parliament who have suggested changing the code to make the balance more towards freedom of expression. That is for Parliament to decide.

Q205 ***Baroness Bonham-Carter of Yarnbury:*** But it can be done over the internet.
Mr Purvis: Absolutely.

Q206 ***Baroness Bonham-Carter of Yarnbury:*** My neighbour tells me there is Radio Tory.
Mr Purvis: Then, again, it is all in the public domain. The man who is taking us to court his morning, John Gaunt, has an internet-only radio station. It is on *Sun Talk*. In a sense, he has done that in a different regulatory regime, but because it happens to come from a newspaper, it falls under the self-regulatory regime of the Press Complaints Commission.

Q207 ***Lord Maxton:*** But you cannot regulate the radio stations the Chairman was talking about on the internet coming from America.
Mr Purvis: No. For instance, the *Guardian* podcasts, which some of you may listen to on various subjects, because they come from a newspaper, fall under the Press Complaints Commission self-regulatory code.

Q208 ***Chairman:*** What legislation are we talking about here?
Mr Purvis: The Communications Act—

Q209 ***Chairman:*** 2003.
Mr Purvis: Yes. It covers content on broadcast, and, since then, content on the internet. The only overlap came into effect just a few months ago, under a European Directive which said that video-on-demand on the internet falls under a third regime, if you like, which we oversee. But, absolutely, audio on the internet is not regulated under the broadcast standards system; it is regulated, if it falls under the Press Complaints Commission, under them. If it is not coming from a newspaper, it does not follow any regulatory regime.

Q210 ***Chairman:*** Do you think we are getting ready for a new Communications Act in the next Parliament?
Mr Purvis: That is much above my pay grade.

Q211 ***Lord Inglewood:*** In terms of otherwise unregulated material over the internet, subject to jurisdictional considerations, defamation incitement to racial hatred, et cetera, et cetera, all apply, do they not?
Mr Purvis: It is an assumption we should never forget: the law of the land does apply. In terms of regulation over and above the law of the land, it does not apply to audio content on the internet.

Q212 ***Lord Inglewood:*** If you happen to be running it through the internet starting in Paraguay, shall we say, it is pretty much a free for all, is it not?
Mr Purvis: It is sometimes described as "the Wild West."

Q213 ***Baroness McIntosh of Hudnall:*** I feel we could get back on to slightly safer territory and the notion of cost and benefit. We understand that you commissioned a report from PwC last year into the

costs and benefits of digital switchover in radio but you did not publish it. We know, therefore, what we have learned from the DCMS about what it said. It appears that it found, for example, that the benefits could—and I emphasise the word "could"—outweigh the costs by £437 million after 2026, but that conclusion is hedged about with quite a lot of caveats to do with what would have to happen in order for that good outcome to eventuate, and that if those things did not happen, then quite quickly you would get into a position where the costs would outweigh the benefits. Can you tell us a bit about that report? In particular, can you tell us why you have not published it? Do you think, given what it appears to say—I choose my words carefully—about the constraints on potential for benefit, that it should have been available to inform the Government's digital policy? Can you also tell us about your own impact assessment on radio digital migration which I believe you have been asked to undertake? Will this include a full cost-benefit analysis? When do you intend to publish it? Perhaps I could ask you one last little thing which you might not be expecting: in amongst all of this cost and benefit, have you made any assessment of the impact on energy consumption of radio switchover in particular?
Mr Purvis: There are a lot of questions there. Peter commissioned the piece, so I am going to ask him to talk to them, but let me say that you have talked about informing the Government's decision and one of the main points of doing this was to help inform the Government's decision. It was a government decision as to whether this information should be published or not.

Q214 ***Lord Gordon of Strathblane:*** It was your document, though, was it not?
Mr Purvis: No, it was a PwC document.

Q215 ***Lord Gordon of Strathblane:*** It was commissioned by you.
Mr Purvis: It was commissioned by us, yes.

Q216 ***Lord Gordon of Strathblane:*** Surely it would be your decision to publish.
Mr Davies: We were asked to commission it by the Government. We then commissioned it from PwC with a lot of input from various government departments and then submitted it to the Secretary of State.

Q217 ***Baroness McIntosh of Hudnall:*** Who owns it?
Mr Purvis: Whenever you commission a document from an outside source, in a sense the ownership of the detail must lie with the people who did the work, but, in a sense, when you commission it, you commission it with a purpose and the purpose was to give it to the Government.

Q218 ***Baroness McIntosh of Hudnall:*** With respect, that is not necessarily true.
Mr Purvis: No, there are options.

Q219 ***Baroness McIntosh of Hudnall:*** I have work commissioned from me and it may be, and often is, on the understanding that the ownership of what I produce falls to the person who commissioned it from me.
Mr Purvis: Yes, in terms of the ownership. But in the sense of the responsibility for the detail of the commission, the source of the commission must inevitably take its full share of that. There are a number of options which apply when these pieces of work are done. On this particular occasion, it was decided in conjunction with the Department that work would be sent to the Department. Perhaps the most important thing is for Peter to respond to your characterisation of the work, but, in a sense, we have not hidden the piece of work. Indeed, I think it is now available to you. Is that right?
Baroness McIntosh of Hudnall: In, as they say, a redacted form.

Q220 ***Chairman:*** Just to be absolutely clear, the Department asked you to commission the work from PwC. Is that what you are saying?
Mr Purvis: They asked us to commission the work. Did they ask us specifically from PwC?
Mr Davies: Not specifically from PwC.

Q221 ***Chairman:*** The Department said to Ofcom, "Ofcom, you go and commission this particular work." Is that the position?
Mr Davies: Yes.

Q222 ***Chairman:*** You then got the work which they came back to you and then you sent it to the Government and the Government said, "We're not going to publish this in full."
Mr Davies: They have certainly made it available to various groups. I think consumer groups have had it for some time.

Q223 ***Chairman:*** Fine. There will be no problem, therefore, in this Committee having the full report.
Mr Davies: I think they have made available the redacted version rather than the full report. The reason for that is some of the numbers in there are commercially sensitive, but there is no reason why the Committee should not have the full report.
Mr Purvis: You certainly have seen the conclusions.

Q224 ***Baroness Howe of Idlicote:*** I just wonder who has paid for it. Has it come out of your budget?
Mr Davies: Yes.
Baroness Howe of Idlicote: Even more indication of ownership.

Q225 ***Baroness McIntosh of Hudnall:*** Shall we go back to the questions. We now know why you did not publish it. Am I right in thinking, notwithstanding the fact that you did not publish it, it did influence the Government or is in the process of influencing the Government as far as their policy on digital migration goes?
Mr Davies: It is one of the inputs to government thinking, certainly. We were very careful when we sent it to the Secretary of State to make clear what all the caveats were. You are absolutely right, there are a lot of caveats around it. This is a piece of work which is at a very early stage of the process. We were very clear to government that they should not use this as the means of making a decision but it might help to inform the decision.

Q226 ***Baroness McIntosh of Hudnall:*** It is slightly troubling—perhaps only to me, but a bit—when you see what appears to be evidence that the costs and benefits are, let us say, finely balanced, or could be, that the drive towards digital migration, one might think, was driven more by the technology than by the needs either of the broadcasters or the consumers. That is the question that seems to me still to hang in the air. Is this technology-led or is it consumer-led—if we wrap into consumers both the people who are the end-users and the people who are using the technology to deliver a service?
Mr Davies: That is why there are so many caveats around it, because it needs to be, as you say, consumer-led. Some of the conditions that would need to be met for the figure to come out positive are that coverage needs to be built out, that the content proposition needs to be right, that a lot of the benefit in there is from additional choice for consumers. That is obviously down to industry to provide. That is not something that either government or Ofcom can do. One of the main caveats was the need to roll out the regional layer that we were talking about earlier, to become a new national layer, so providing more choice of mass market stations. It is absolutely consumer-driven, but where that leads you it is probably too early to say, and, as you say, it is very finely balanced.

Q227 ***Baroness McIntosh of Hudnall:*** What about your own impact assessment?
Mr Davies: We have not done an impact assessment yet.

Q228 ***Baroness McIntosh of Hudnall:*** But you have been asked to—correct?
Mr Davies: At some point in the future. I think the *Digital Britain* report said that we would be asked to do one, but we have not been asked to do one yet. Obviously we would need to do that and we would need to a much fuller cost-benefit analysis before any final decision was taken.

Q229 ***Baroness McIntosh of Hudnall:*** That is a future thing.
Mr Purvis: On Lady McIntosh's point about power consumption, that was covered, or it is certainly an issue that the Government is aware of.
Mr Davies: Yes. It is absolutely, and that would need to be taken into account.

Q230 ***Baroness McIntosh of Hudnall:*** Could you be a little more expansive on that subject. It is my understanding—and I may be wrong—that it is likely that switching to digital radio across the board, as it were, will result in significant additional energy consumption compared with energy consumption currently generated by radio. If that is the case, are you looking to any strategy that is likely to mitigate that?
Mr Davies: I am not an expert in that field, but I can certainly tell you what I have been told, which is that the power consumption of the newest radios that are being produced is comparable to that of existing FM receivers. Battery life has improved significantly over the last couple of years and is now ten times what it was. The chips that are being used in DAB receivers are now a lot more sophisticated and have been developed beyond the sort of prototype stage which the earlier receivers used, so the power levels have gone down. Also, from the transmission side, the broadcast powers are a lot lower for DAB than they are for FM. You are absolutely right that it is something we will need to look at, but, as far as I can gather, the indications are that it might not be as much of an issue as might initially have been thought.

Q231 ***Lord Macdonald of Tradeston:*** My Lord Chairman, let me first declare an interest as adviser to Macquarie Capital, whose funds own almost 50 per cent of Aqiva, the transmission company most involved in digital switchover. Could I ask you what the factors are which cause you to advocate the DAB sound in the UK as an upgrade, when it looks as though the Germans have already upgraded further to DAB+?
Mr Davies: The first thing to say is that we in Ofcom have been working very hard with the French and German regulators over the last couple of years to make sure that all DAB radios produced going forward will be multi-standard, so they will work with DAB that we use in the UK, with DAB+, and with DAB Audio that the French are using—which are all very similar sorts of systems, all based on the Eureka 147 technology. Hopefully all radios going forward will be able to receive those and so create a pan-European market. The reason we have been holding back from moving to DAB+ in this country

is that the vast majority of the 10.5 million sets that are already in the market will not work with DAB+, so both from a consumer point of view and also from an industry point of view, it would not make a lot of sense to move to that technology now. But it might well be that in a number of years time, once that legacy problem of the ten million sets has dwindled, might be the time to move to DAB+.

Q232 ***Lord Macdonald of Tradeston:*** That is a relatively easy transition according to Digital Radio UK last week. Do you share that view?
Mr Davies: Yes. From a transmission point of view, it is easy. The problem is the sets.

Q233 ***Lord Maxton:*** This raises the whole question—and I do not know what the percentage is—of people who listen to radios in cars. That decision by Germany does make a big difference to the car manufacturers as to what sort of radio they put in their cars, does it not?
Mr Davies: Absolutely. Also, the French are mandating that all radios sold in France from 2013 must be digital, including in cars.
Mr Purvis: One of the reasons we took the initiatives with the French and German colleagues was trying to help the car industry think its way through these issues.

Q234 ***Lord Maxton:*** So far, the car manufacturers have been really quite reluctant to put in. Ford are now beginning to do it, but a large number of others will not do it. They say that there is no demand for it and that, unless you get the pan-European decision, there is no point in doing it.
Mr Davies: That is right.
Mr Purvis: I think it is fair to say that their position is always moving a little. They are constantly listening to your debates as to what is going to be the progress towards DAB. They have to make decisions about installing for years ahead. They would like to provide radios in their cars for the services that people want to listen to and they are just trying to estimate when exactly this is going to become the norm.

Q235 ***Lord Macdonald of Tradeston:*** As part of your remit to ensure that you advance the consumers' interest in this in trying to future-proof the multi-standard radios and so on, could you tell us a little bit about how the interactivity, which is one of the attractions of the upgrade, will work with these sets? Did I see somewhere that there was even a suggestion that some of the radio companies could get into video through interactivity? How does that all work and how does that affect what the consumer is going to buy by way of a radio receiver in future?
Mr Davies: As to the sorts of services that will be provided, that is probably more a question for the industry to answer. They are currently developing those sorts of services. Certainly texts and graphics can be broadcast using DAB. Video you certainly could do. BT ran a service a couple of years ago called BT Movio using the DAB platform to mobile TV receivers. That was not a commercial success, and they stopped doing that. Technically, it is possible.

Q236 ***Lord Macdonald of Tradeston:*** But the receivers do not exist at the moment.
Mr Davies: They withdrew their service, so they do not exist.
Mr Purvis: But they did for a time.
Mr Davies: They did for a time, absolutely. One of the plans they have in France is to broadcast video using their DAB platform.
Mr Purvis: It is always a challenging concept, the idea that you transmit television on radio, but, yes, it is possible.

Q237 ***Lord Macdonald of Tradeston:*** The sets that people will buy to get interactive services are still a year or two down the road, are they?
Mr Bensberg: One great thing about interactive is that it requires a return path and generally I do not think radios would feature that. I think there is a terminology thing here about what do you mean by interactive. Interactive generally would mean that you have to go back and request specific information. Radios would not have that, I would not have thought.

Q238 ***Lord Macdonald of Tradeston:*** I would hope to go a little bit further in trying to quantify what the benefits might be to the radio operators of this interactivity. Has any work been done on that? Can you quantify that for us?
Mr Davies: No, not specifically. There are dummy or test set-ups that have been done where the broadcasters can use the screen, for instance, for advertising messages, as well as for value-added content telling you more about the music that is being played or giving you more news headlines that sort of stuff. It is not strictly speaking interactive, as Greg says, with a return path—although obviously internet radios will do that. There are also hybrid DAB internet radios which use both technologies, so they would use the internet for the interactive bit but use the DAB for the broadcast bit, so making the best use economically.
Mr Purvis: One way of characterising it is that it basically offers you something which analogue does not, which is to access something other than the linear stream. You have more than just a linear audio stream, you have a series of other options, but, as Peter says, it is down to industry to offer those

options as services and for technology to develop to make more of those services possible.

Q239 ***Bishop of Manchester***: Ofcom has a duty to track how people are taking up the upgrading. You have produced some figures, sourced from RAJAR, Ipsos Mori and RSMB, in which I note there have been ten million DAB sets sold by the end of 2009 and a penetration of 32.3 per cent households, a 13.3 per cent share of all radio listening compared to internet listening at 2.2 per cent. The figures you have presented go from September 2008 to September 2009. On the face of it, they look pretty static over the 12 months. Is your expectation that over the next 12 months that static pattern will remain? Are there within that pattern any significant regional variations in terms of the uptake?
Mr Davies: Whether that pattern continues to increase, we certainly hope it will. A lot of that is down to the marketing campaigns by the industry which can create a significant push in take-up.

Q240 ***Bishop of Manchester:*** It has not actually increased that much in 12 months, has it, according to these figures.
Mr Davies: It has increased a little bit. Obviously sales have gone up quite significantly in that time. It was below nine million last year, and it was 10.5 million by Christmas just past. Certainly sales are increasing. The percentage of listening, I agree, has been a little bit static. That might possibly have something to do with the fact that for a while there was a hiatus in the number of national radio services. There was vacant capacity, I think, partly because of the economic situation.

Q241 ***Bishop of Manchester:*** Is there a regional variation?
Mr Davies: There certainly is a regional variation, yes. The highest area for take-up of DAB sets is Bath and the highest listening is West Yorkshire. Quite why, I am not sure, but there are certainly regional variations.

Q242 ***Bishop of Manchester***: Pushing that kind of detail a bit further now into what you might call disadvantaged groups, do you have any figures for the take-up of all this among, say, the particularly disabled groups or the elderly?
Mr Davies: No, we have not. That is certainly something we will need to look at going forward.
Mr Purvis: I think the key point is price. We have seen price come down quite considerably since that first generation of great big, black boxes into the use of the smaller sets. On the first point, could I say that by when the criteria would be achieved I think we use the word "stretching" or "challenging" and that is why it is so important that coming out of the bill there is clarity about where the process is going, and that industry gets behind the project if it wants to take it forward. The issue which we have only really talked about briefly is this issue of coverage. Let us be honest, there are parts of the country where you simply cannot receive it, and you therefore cannot see it as being a replacement main platform for radio if it is not receivable. That issue has to be resolved. Then there is the content issue to a certain extent. I have given you some examples in London where the content issues seems to be being solved. There are other parts of the country where they have been waiting for a sense of where things are heading. No-one denies that those targets are challenging. No-one denies that things have to happen if they are going to be reached.

Q243 ***Bishop of Manchester:*** What does surprise me, given the emphasis that there has been, not least in government, about protecting the vulnerable in all this, is that you do not have the figures go show how the take-up has occurred among those groups. I would have thought that would be really quite interesting and important to have.
Mr Purvis: I think we can take that into account when we look at the impact assessment in particular. That is one thing we will have very much in mind.

Q244 ***Lord St John of Bletso:*** You mention in your report that: "Digital technologies offer consumers greater control, quality and—with very little spectrum available for the new analogue radio services—potentially greater choice." With the digital radio upgrade, what is being done to ensure more efficiency from the available spectrum, and, more to the point, with the ultimate phasing out of GPS, with Galileo and Magellan, what is being done to synchronise timing?
Mr Davies: In terms of spectrum usage, digital is much more spectrum efficient than analogue. The national DAB multiplex, for instance, takes up 1.7 megahertz of spectrum, providing 11 national services. The equivalent BBC national network takes up 2.2 megahertz just for one service. In those terms, therefore, it is much more efficient. In terms of providing information to SatNavs, if I understand your question correctly, the provider of services over the classic FM bandwidth that is currently used also broadcast on DAB. The service is there available, therefore, and it is a question of making sure that the SatNav manufacturers are taking advantage of the availability of that data, which is of a far higher quality and much more detailed on DAB than it is on FM.
Mr Bensberg: On a slightly different issue, probably the underlying question was what Arqiva use to synchronise their SFM networks, and they are using 3G series now. That would be a matter for Arqiva to

upgrade their network to cope with new signals. If Galileo is the replacement for GPS, they will have to resynchronise and re-engineer the network to cope with that. I am sure they are very aware of that. Certainly we are aware of the issue.

Q245 ***Lord St John of Bletso:*** Obviously with the move to digital, whether it be through radio or television, the efficiency of timing is critical to the efficiency of the whole system, and that is why I am trying to make sure that we have a synchronised system of making sure the timing is absolutely precise.
Mr Bensberg: It relies on that or otherwise that falls apart. Arqiva, I am sure, are very well aware of it. We have been speaking to them about that. That is an area which is part of a regular maintenance and upgrade programme.

Q246 ***Chairman:*** We have concentrated on radio this morning, as you may have noticed, but we had better ask you one or two questions about television just before you go. You mentioned dates and target dates. 2015 is mentioned as a date. When does all this get settled?
Mr Davies: It sort of comes back to what we were saying earlier. What we are doing and what government is doing for the Digital Economy Bill is putting in the conditions to enable this to happen. Industry, both the BBC and commercial, then need to get behind it and push it very hard. There are three factors for industry. One is coverage. The second is the content, which is both programming and the sort of interactivity we were talking about. The third is really marketing it to explain to consumers the benefits that they can have by going digital. The fourth, which is slightly outside the radio industry, is the car problem that we have talked about. That is a question of persuading the car manufacturers to receive this.

Q247 ***Chairman:*** To try to summarise that: it is not really until those four processes—they are all distinct but they all go together as a flow—have been settled that one can set dates.
Mr Davies: They will determine the timing, absolutely.
Mr Purvis: Again there is a crossover with television. We are in similar stages. There was a stage such as this in television, where all these issues were being discussed before what we might call a firm decision was made on a date. Is that correct, Greg?
Mr Bensberg: That is exactly right. There was a lot of discussion between 2001 and 2004, between ourselves (the ITC as it was) and government and industry to look at the same sort of criteria as Peter has talked about for DAB: coverage, costs of equipment, challenging planning to make sure there was enough ability to drive the coverage up in order for people to get access to services before analogue was switched off. Those took some time and quite a lot of thinking and analysis before the Secretary of State felt able to stand up to make the decision and say, "Switchover will happen between 2008 and 2012." It did take us probably three years of intense work to get to that position where everybody was coming to a decision and being able to deliver on that. That included both the broadcasters and the consumer equipment manufacturers and retailers to get the whole chain working.

Q248 ***Chairman:*** That was a three-year process. In radio, where are we in this calendar? Are we at the beginning?
Mr Purvis: Somewhere in the middle.

Q249 ***Chairman:*** So that is about 18 months to go before we get the final date.
Mr Purvis: That is a position for government at the end of the day.

Q250 ***Chairman:*** But that would not be a bad guess.
Mr Purvis: Honestly that would be a guess.

Q251 ***Baroness Bonham-Carter of Yarnbury:*** Digital UK came before us last week and they were very positive when they gave their evidence about TV switchover, but they did admit that customers served by relay transmitters were getting considerably fewer channels. How are you dealing with areas of public concern about the areas where so many fewer channels are being received?
Mr Bensberg: The minimum policy we set for the public broadcasters going on to digital terrestrial and into switchover was that the public services had to be available to everybody who was currently on analogue television. That meant that those broadcasters had to role out their network from 80 sites they started off with to well over 1,000 sites to achieve switchover at significant cost to themselves to do so. We and the government put this into the communications as a requirement and thought it was justified because they would have made public channels carrying BBC, ITV, Channel 4 and S4C services. When we came to look at the multiplexes carrying the commercial services, there was no public content they were carrying that would justify us forcing them to spend lots more money to drive their services out. It came down to having to be a decision for them commercially to say that they would be interested in going beyond their current 80 to 100, 200 or whatever else and we asked them that question I think three times in a variety of different ways, including offering them additional spectrum which would enable them to operate to other sites and roll out coverage to maybe 94 per cent. They looked at

the sums and what the costs would be and concluded they would stick at their 80. Within those 80, we have maximised the coverage they can achieve so they are currently operating at 73 per cent. They will be able to move up to over 90 per cent, we think, at switchover completion but that is as far as it goes unless they wish to come back to us and say, "We wish to role out." We do not have any further powers to force them. The government did not give us any and we do not think it is appropriate for us to force them to make commercial decisions.

Q252 ***Baroness Bonham-Carter of Yarnbury:*** What is the reaction of the ten per cent that are not receiving these channels?
Mr Bensberg: As David said last week, that is one of the key issues people have when switchover has happened and they find they have less than maybe they might have thought they would have had. Generally, people understand, rather like carrying Channel 5 for instance. There was a big issue about that. Some parts of the country did not get Channel 4 until digital because of constraints of costs of spectrum. I think people understood. They were not particularly happy maybe, but they understood the rationale for it.
Mr Purvis: They always have the option of upgrading to a pay service which would deliver those channels or some other distribution mechanism.

Q253 ***Baroness Bonham-Carter of Yarnbury:*** Can you summarise the findings of the quarterly tracker survey reports on progress with switchover and what key risks and issues have been identified in that survey?
Mr Bensberg: I do not have them in front of me. Certainly in terms of the risk, the biggest risk which we have on our watch list in terms of regulating and overseeing the switchover process was the ability to scale up Digital UK and the help scheme resources to outside Manchester. Manchester was a very challenging area. In terms of this process, our view is that the risks of the programme have therefore dropped. It went very smoothly. There was a significant number of people calling on issues to be resolved and I think it was done very professionally by both Digital UK and the help scheme and the retailers and people on the ground as well. There was a lot of work which meant that those key risks were mitigated. Going forward, I think it is keeping their eye on the ball, making sure that they do not lose attention and keep that focus of grass roots, local engagement to make sure everybody understands what is going on. One of the things Digital UK have learned over the period of switchover is that, if people are advised and warned before something happens what is going to happen to them and what their experience is going to be like, they understand that much better than if they are surprised by it. One of the things Digital UK has done and will have to continue to do is understand people's concerns about switchover, reflecting what has happened and tailor their messages and their helpful information to sort them.

Q254 ***Baroness Bonham-Carter of Yarnbury:*** You are working on a cost benefit analysis at the moment. Is that correct?
Mr Bensberg: For TV?

Q255 ***Baroness Bonham-Carter of Yarnbury:*** For TV.
Mr Bensberg: The government did one and they refreshed it I think in 2004 to make sure it was still valid. The benefits were predominantly based upon the viewer getting more services rather than any intrinsic, special valuation which the government were quite cautious about, justifiably. Since then obviously we have done the review and our view is that the benefits for the economy of the country are significantly higher now because the spectrum has probably a higher value for society. The costs have probably gone up significantly. If you look up at the takeup of digital terrestrial and digital television overall, probably the benefits to society have been brought forward because some of the views about how quickly people would move to digital television were more cautious than what actually happened in the upturn.

Q256 ***Baroness Bonham-Carter of Yarnbury:*** Have you included environmental costs in this analysis?
Mr Bensberg: I do not think we have directly counted them because I do not think we are able to do so in terms of the statute which governs what we should take into account in the cost benefit analysis. Environmental considerations, apart from the direct ones imposed—for instance, the cost of energy taken by the transmitter companies—would be that but nothing else.
Chairman: Thank you very much indeed. There will be a number of other issues that we might want to pursue with you on a factual basis. I think you are rather invaluable frankly for our report. We will perhaps be in touch in any event in letters and so forth and try to get more information. Thank you very much for the information you have given today. It has been very helpful.

Memorandum by RadioCentre

Summary

Commercial Radio is a very small industry facing enormous economic challenges. Like other media, it is facing unprecedented challenge from the proliferation of media and the recession. Unlike other media, its regulatory and legislative framework has remained largely unchanged for 20 years and it has lacked a clear migration to digital.

The Digital Economy Bill provides the opportunity to address this framework and re-shape the radio industry by providing the digital certainty and targeted deregulation it needs to survive. It also provides the prospect of real benefits for those local stations that are more suited to FM, at least for the foreseeable future.

The Status Quo for Local Commercial Radio cannot Continue

Ofcom acknowledges that Commercial Radio is "facing possibly its greatest ever challenges".[3] Small local stations have been hardest hit by a combination of high fixed costs, structural change and recession.

— More than 80% of stations serving communities of fewer than half a million people are losing money or making profits of less than £100k per annum

— A dozen radio stations have gone out of business in the past three years.

— The Government-commissioned Myers Review predicted that up to 50 local commercial radio stations are at risk of closure during the next 18 months.

In addition to the challenging economic environment, a number of factors have contributed to local Commercial Radio's uncertain position:

— Local Commercial Radio has lost share to national BBC radio. This is partly a symptom of the BBC's popular music services (particularly Radio 1 and Radio 2) focussing increasingly on Commercial Radio's 25–44 heartland audience.

— More local stations have been licensed, without adding to overall revenue—therefore local audiences and revenues have cannibalised themselves.

— Trend towards national advertising—72% of Commercial Radio revenue is national. This proportion has increased in recent years, partly as a result of the growth of national brands and the decline of the traditional high street.

But Local Commercial Radio can have a Brighter Future

The industry's vision for the future of Commercial Radio has localness at its heart, with three strong tiers of listener choice:

— Strong national brands to compete with BBC on digital.

— Large local and regional services, on digital, to deliver news, information and entertainment to reflect the tastes of their area.

— Small local and community services in smaller towns on either digital or FM, as they wish.

These stations must be enabled to provide new content, innovative programming and interactivity which, as a consequence, re-engages listeners and advertisers' passion for radio, growing revenues and fuelling further investment in content.

The Digital Economy Bill is Vital for the Future Health of Local Radio

Moving to digital will mean a more competitive radio industry. Larger stations will be freed from the unsustainable financial burden of paying for both analogue and digital transmission; there will be more national commercial stations to compete with the BBC; and larger local stations will be able to compete more effectively with other media. A healthy radio sector is vital to the future of every station within it, no matter how small.

[3] Ofcom, *Radio: the implications of Digital Britain for localness regulation,* July 2009, p 2.

But the Bill also delivers critical benefits for smaller Commercial Radio stations:

— The Bill will allow the industry to make local digital radio "fit for purpose". The local DAB infrastructure, as it is currently planned and built out, is not yet appropriate for a full switchover from FM to digital. The industry must work with Ofcom to improve and extend the coverage of local digital radio multiplexes. The Digital Economy Bill will facilitate this and provide a future route to digital for those local stations which currently lack a digital pathway. This re-plan will also help the industry to develop ways to make digital radio more affordable for smaller local radio stations; as the high current cost of access to digital multiplexes acts a disincentive to broadcasting on digital.

— Stations that remain on FM will have a more certain future. After larger stations move to digital, there will be more space for local Commercial Radio stations, plus Community Radio. This provides the opportunity of access to better signal strength and improved viability.

— Listeners will enjoy equal access to radio stations, whether they are on FM or digital. The industry will shortly launch a new initiative to ensure that listeners receive FM and digital stations via platform-neutral tuning—thus ensuring that the means of transmission is not a consideration for listeners.

The Digital Economy Bill is therefore critical to securing the future of local Commercial Radio.

It will also leave open the possibility of a transition to DAB+ at a later date. The benefits to UK radio listeners of DAB+ are relatively marginal, but introducing it at this time it would make the vast majority of the UK's 10m DAB sets obsolete.

However, DAB+ could be introduced seamlessly alongside existing DAB services in future. DAB+ uses exactly the same transmitters and broadcast technology as DAB, it simply converts sound to digital in a different way and therefore needs sets capable of receiving DAB+. New digital radios sold in the UK now have this ability to receive DAB+.

A New Method for Delivering Local Content in the Digital Age must be Found

Radio regulation is too focussed on measuring the inputs into services, rather than their output as received by listeners. In our view radio should be assessed and regulated purely on these outputs, with a particular focus on local news and local relevance; "micro" regulation of inputs that focus on how and where content is produced, as well as prescriptive music formats, should be removed.

These regulatory amendments would ensure that local commercial stations are able to adapt to reflect the changing tastes and requirements of their audiences. In addition, this targeted deregulation will further help transform the fragile economics of small commercial stations, through co-location and programme-sharing where appropriate.

The Digital Economy Bill will facilitate these deregulatory changes (in Clause 34 of the Bill)—and the smallest, most locally-focused stations will be among the greatest beneficiaries.

The need to ensure that Community Radio and Local Commercial Radio co-exist

We welcome the fact that digital switchover will mean improved signal strength and viability for community stations, in addition to small-scale commercial stations. However, Community Radio's growth should not be at the expense of commercial stations that are very similar in nature to community stations.

We therefore urge Ofcom to have sensitivity to this when licensing further community stations, by exercising caution when issuing licences in areas that overlap with the smallest commercial stations and carrying out appropriate impact assessments.

January 2010

Examination of Witnesses

Witnesses: Mr Andrew Harrison, Chief Executive, RadioCentre, Mr Michael Betton, Chief Executive, Lincs FM Group, Mr Ashley Tabor, Group Chief Executive and Founder, and Mr Charles Allen, Chairman, Global Radio, gave evidence.

Q257 ***Chairman:*** Good morning. Thank you very much for coming. Welcome. I noticed you sitting at the back and you therefore know roughly what to expect in terms of questioning. I think the first thing might be for you just to introduce yourselves briefly and also say briefly what you see as the advantages of digital switchover or upgrade, as we were being told by Ofcom a moment ago? You may not see any advantages.
Mr Betton: I am Michael Betton. I am the chief executive of the Lincs FM Group. We run nine licences in the Lincolnshire and Midlands area. The advantages of DAB for us? I think I would take one step back from that. The current setup is not sustainable for companies of my sort of size. The advantage of DAB is then secondary to that, but it is that there is a great choice. It is a more efficient use of spectrum. It will offer greater choice both at a local level and a national level and generally seems to offer ease of use to consumers which is superior to FM.

Q258 ***Chairman:*** When you say a company of your size, you are not a massive company. You have a turnover of about seven million?
Mr Betton: £7 million.

Q259 ***Chairman:*** And 124 staff. You need more space?
Mr Betton: I think first of all we need to be able to run a business that is satisfactory from a cost revenue point of view. Put very simply, over the last two years, our company as a group has been loss making. Without the burden of DAB simulcasting, we would have been profitable over those last two years. The current situation is that we are spending a very significant percentage of our revenue on transmission that is not bringing benefit. I think an interesting point there is that, although we are small, we probably suffer the same kind of pain as the larger groups if you look at it in percentage terms.
Mr Harrison: I am Andrew Harrison. I am the chief executive of RadioCentre which is the trade body for commercial radio. RadioCentre represents any licensed commercial radio operator. We currently have 268 stations in membership out of a total universe of about 350 stations, so about 75 per cent of all commercial stations are our members. Those members represent about 90 per cent of all commercial radio listening. Our members represent a spread of the industry, large groups, smaller groups, stations from the Highlands and Islands of Scotland through to Cornwall and metropolitan and urban stations. In terms of the advantages and benefits of digital radio, from a listener and consumer perspective, the benefit is very clear. There is more choice. The FM spectrum, as you will all know from your deliberations, is full at the moment. There are no new licences being awarded so the opportunity for the industry to grow and to offer more services to listeners and consumers over time would come from the release of digital spectrum. That is particularly true on the national basis for the commercial sector which would give us the opportunity to run more services alongside the BBC; but it is also true equally on a local basis. From an industry perspective, as Michael touched on, the specific additional benefit of digital radio would be ultimately moving to one broadcast transmission platform and saving the dual transmission costs that the industry is currently bearing. At the moment stations are broadcasting on both analogue and digital with no net extra listening as a result, just spreading the transmission costs across two platforms. Over time, getting clarity and certainty for all our members, whether they choose to remain on FM or migrate to the digital upgrade, will clearly help the structure and economics of an industry that is severely challenged at the moment.

Q260 ***Chairman:*** Now we come to Global. We are double handed here. Who is going to talk?
Mr Tabor: I am Ashley Tabor, the group chief executive and founder of Global Radio. I think really I will echo what my colleagues have said and I will keep it brief therefore. For the consumer, it certainly is about choice and a clearer signal as well. For the industry it is about certainty and clarity in the future. The dual transmission problem is by far our biggest problem. If we can address that, it will allow us to reinvest money into content which again flows back to the consumer as a benefit. To encapsulate what my colleagues have said, that is the key challenge for us.

Q261 ***Chairman:*** Tell us a little about Global.
Mr Allen: I am Charles Allen. I am the chairman of Global. Global was created in the last couple of years from the merger of GCap and Chrysalis, two players who were struggling a bit in the industry. We have 70 FM licences and 90 licences in total and we range from small, medium, regional and one national licence. We are a brand led company and hopefully you have heard of some of our brands: Classic FM, Capital, Galaxy, Heart, to name a few. In the last couple of years we have been impacted by the economy and our revenues have been affected by around a 20 per cent decline since 2004. However, in the last 12 months we have benefited from a one-off benefit of merging those two groups. What we have been doing is investing in those brands and investing

in content. We are just now beginning to see some growth after many, many years of decline in listening. That is the top line flavour of the group.

Q262 ***Chairman:*** One of the things which comes through from almost everything that has been said is that commercially the radio industry is under some pressure. What is the total annual revenue of the industry?
Mr Harrison: The total annual revenue of the industry for 2009 will be about £500 million.

Q263 ***Chairman:*** In the time that we have been doing this Committee, that sounds to me a substantial fall on what the revenue was a few years ago which was certainly over 600 million, from memory.
Mr Harrison: It is. Revenues peaked at about £620 million. 2008 revenues were down 6.4 per cent. Our revenue for 2009 in total will have been down about ten per cent. As you will be aware, we have essentially been facing two specific pressures in industry. There is the general, structural change that is affecting a lot of traditional media as consumers migrate to digital platforms, with the growth of the internet and so on and so forth and of course this hearing is all about that migration for radio. At the same time of course we have had a severe advertising downturn across the last couple of years. The extent of the pressure that the industry is under was perhaps best encapsulated by John Myers in the independent report that he wrote as part of the Digital Britain work on behalf of the government. He found that about two thirds of commercial radio stations were loss making or making less than £100,000 per annum profit. You can imagine £100,000 per annum is just shy of £2,000 a week, so very much on the cusp of profitability. That is over 200 stations which we think are either unprofitable or barely profitable. A lot of the work that we have been doing with government and with our regulator in the last couple of years has been about trying to ensure that there is a future-facing certainty for the industry that enables us to run a profitable and successful sector. As we have touched on, one of the critical things to help with that burden is the cost of dual transmission.

Q264 ***Chairman:*** You all in different ways talk about the opportunities that are there. Is it not going to be quite difficult for this industry to take those opportunities given the rather parlous position that the industry is in?
Mr Harrison: The evidence of the last few years is absolutely. With the current structural economics of the sector, it is very difficult to both maintain an analogue distribution network and invest in digital content. That is one of the critical reasons why we are seeking certainty for stations, whether they choose to remain on FM or whether they choose to migrate to DAB. Having the certainty of just one platform will enable them to free up the cost savings that come from not broadcasting on the second platform and invest those back in content. The evidence we have seen across the last few years is there is not enough money in the pot to do both. If the money is being swallowed in distribution, it is not going against the new content that we all want to deliver to give more choice to listeners.

Q265 ***Chairman:*** Do you agree with that, Mr Tabor?
Mr Tabor: I do, absolutely. If you look at our portfolio over the last 12 months, we have added a million listeners across all our brands. As Charles said a moment ago, we have benefited from a one off synergy saving when we merged our two businesses that we acquired and that allowed us to make some investment in programming and rebranding stations, because we believe in branded radio. That has led to that increase in listenership. We believe very much that it works but it was a one off benefit. The money is currently locked in this dual transmission dilemma.

Q266 ***Chairman:*** What would you put as the cost?
Mr Harrison: I have the total industry cost and then maybe my colleagues can speak for their own specific businesses. The total cost in transmission for the sector last year was around about £70 million. That is split about £40 million on analogue and about 30 million on digital, so you are looking at £70 million out of a sector revenue of 500 million. On transmission alone we are spending about 14 per cent of our revenues or maybe, put more powerfully, if you think of the marginal profitability of the sector, it is about 175 per cent of our profit that is actually being spent on transmission at the moment.

Q267 ***Chairman:*** I did not make myself clear. Putting it the other way, what would the saving be for the industry?
Mr Harrison: Order of magnitude, it would be about £30 million per annum if we were to move to one platform.

Q268 ***Chairman:*** One platform, 30 million plus?
Mr Harrison: Yes.

Q269 ***Chairman:*** Mr Betton, what about you? You are slightly smaller but nevertheless rather important.
Mr Betton: Broadly speaking, 50 per cent of our transmission cost is for digital and 50 per cent is for analogue; yet only half of our radio stations are on digital, so it would make a very significant saving, well in excess of the kind of margins of loss that we have experienced over the last two years.

Q270 ***Chairman:*** Would it transform your company from loss to profit?
Mr Betton: Yes, it would, very comfortably. I think it is also worth making a point here about certainty. With some of our licences there does not seem to be a sensible route forward for DAB, not necessarily because there is not coverage but because the existing coverage editorial areas of our smallest stations do not fit with the DAB multiplexes. Those FM licences at the moment are only for five year periods. You are dealing with very small businesses. Trying to convince banks to support any kind of capital investment in a very small business, when you have a licence for only five years, in the current environment is really difficult.

Q271 ***Chairman:*** I do not want you to give commercially confidential information but what about Global? Do you have any view on the saving involved there?
Mr Allen: It is slightly confidential but we have invested nearly 100 million over the last ten years, so that gives you an indication of the quantum that has been invested to date in terms of the dual transmission costs.

Q272 ***Lord Gordon of Strathblane:*** Mr Betton, it must have been a very difficult call for you, granted as almost a given that two transmissions is a nonsense. Why opt for digital rather than opt out of digital and go for FM, which would seem to be more suited to the coverage area of many of your stations and save you a bundle of money on digital?
Mr Betton: There are two things there. First of all, one must remember the commitment to digital at the moment has been won over a contract period for the DAB multiplexes. We do not have an option to drop out of the digital commitments that we have made. Those commitments were made around 2000/01 when the optimism for speed of takeup of DAB was significant. I think why a group like mine is very supportive of what is being proposed in the Digital Economy Bill is I have one large service which covers 800,000 people. It is as big as many of the licences held by the large groups, but I also have very small licences and I cannot see under the current DAB setup that there is a way that those can be carried on DAB. Those businesses are successful. Some of them make small amounts of money. They are popular with their listeners and I need the certainty for FM, but you are right. It was a difficult call for us to support DAB in the initial phase, but our larger services are popular and listened to by many people and we would not want those not to have the opportunity of going on the DAB platform. We would not equally want the small services to be forced to contemplate something which would turn the business into one that was unviable.

Q273 ***Lord Gordon of Strathblane:*** They will stay on FM?
Mr Betton: They will stay on FM.

Q274 ***Baroness McIntosh of Hudnall:*** These questions probably follow directly from what we have just been discussing. Would I be right in thinking that, broadly speaking, all of you support the government's policy on digital migration, but there are some issues that remain a problem? I would suspect that the lack of certainty about a date is one of them. The issue about the length of licences is obviously another. We may come to expand on those, but this question of dual transmission and the costs: there is presumably—indeed, Mr Betton, I think you have just pointed this out—an issue here not only of cost but also of reach and of providing the very consumer choice that, on the face of it, digital radio offers and analogue radio offers less effectively. Some of your listeners either cannot or do not want to migrate to digital, so there are some consumer issues, are there not, about the policy that drives everybody towards digital platforms? Do you have any observations from either a broad perspective or a narrower one on that?
Mr Harrison: Maybe I can start with the broader answer and then my colleagues can pick up the specifics. I think there were two parts to your question. The first was are we broadly aligned on the direction of travel. What is very exciting for the industry overall is the whole industry is broadly aligned on the direction of the travel. It is not just RadioCentre and its members, which is the majority of commercial radio; it is also the BBC and also community radio. All of us are keen to get radio to have its place in a digital future and to interact with consumers on that platform as all of competitor media, be that television, music and so on, which are all distributed digitally. We all share the direction of travel. Undoubtedly though you are right. We are at the very start of a journey. This hearing and all the debate around the Digital Economy Bill is beginning to flush out some of the considerations that we will need to take into account as we go through that journey. One of them absolutely is the speed and degree of consumer takeup. I think there are two overall factors which we are very conscious of as we are thinking about accelerating that takeup. The first is DAB coverage is about 90 per cent of the country. There is still a considerable way to go before coverage matches FM. We have been very clear in our submissions to government—and indeed the Digital Economy Bill is clear—that building out coverage to match FM is a prerequisite before you could consider

switchover. It stands to reason if you do not have coverage you cannot receive the signal. If you cannot receive the signal, you are not going to buy the set. That is the first fundamental driver, I guess, for why takeup is slower than we might have hoped. It is also of course one of the critical drivers on cars. From all the conversations that I have had with the motor manufacturers, their first line of defence if you like will be, "We cannot sell a new car to a customer, have them drive off the forecourt, have the radio working in the workshop and then they drive ten miles and they lose the signal, because they will bring the car back and say, 'The radio does not work.'" Building out coverage is the fundamental prerequisite, not only for consumer uptake but also for in-car uptake.

Q275 ***Chairman:*** Is that a first priority?
Mr Harrison: Absolutely. Once you then have coverage, the broadcasters know that they will be able to reach sufficient numbers of listeners to start putting the services together and the content together to attract those listeners. It is a little bit chicken and egg unfortunately. With the best will in the world, if I speak to Michael or Ashley and say, "Can you consider launching a new digital service today?" one of their first responses will be, "Well, I can but I want to make sure the signal is going to be received so that I can monetise the output." Otherwise it is going to be a loss making venture from the start. We have not quite got through that loop. That is the truth. The coverage build out so far is sufficient for stations that have chosen to launch on digital, but not sufficient yet to contemplate a switchover. That is why the government, I think very sensibly, have set the first few criteria for switchover to be coverage build out to match FM.

Q276 ***Baroness McIntosh of Hudnall:*** Before we go to your colleagues, can I just ask you about this issue of timing, because it could be argued I suppose that one of the incentives to get some of these issues dealt with is that you have a deadline. We had a deadline on television and it is nearly up. The progress seems to have been fairly steady in bringing the services up to the standard required to meet that deadline. Can you see any disadvantages to a deadline of a similar nature being set for the radio industry, given the kinds of problems that you have just outlined?
Mr Harrison: I think it is a critical question. My own personal point of view and the evidence of the last year is that the setting of a target date within the Digital Britain report has been immensely helpful in terms of galvanising the industry. The very fact that you are having this inquiry, the very fact that there is so much debate about the date, is all to do with the fact that there was an aspiration set that we should try to hit coverage build out targets and listening targets by 2013 on the way to a potential switchover at 2015. Nobody said that is the date when it is definitely going to happen, but I think it has been very helpful for galvanising the industry. In particular, that is very important for galvanising set manufacturers and the car manufacturers. This is serious. It is going to happen. We are on a journey and you need to be starting to think about the long lead times and capital investment to help ensure that your particular offers to consumers are compatible. I think there is no doubt that has been very helpful in galvanising the sector. However, if that date is misconstrued and misinterpreted as that target date is a definitive date by which date services will be switched off and you will lose services, you naturally and rightly get a panic from both radio operators who worry about their own businesses and listeners who worry about losing services.

Q277 ***Chairman:*** And from the government, I should think.
Mr Harrison: The government of course gets a bit panicked about constituents and everything else. I think the reality is the Bill is quite sensibly framed in that what it has said is there is an aspirational target which we think should galvanise the industry to head towards, but we are quite sensible about framing criteria that would ultimately decide the date. Those criteria are coverage build out matching FM, which we have touched on, and the majority of listening being to digital devices or conversely the minority to analogue as being the trigger and you then say, "Okay, analogue listening is now the minority. We ought to start thinking about setting a date. We will set that date then from that point, depending on how quickly we think build out can come." There is no doubt the moment you set a date it does somewhat scare the horses. In reality, I think the provisions and the way the Bill is worded are reasonably fair. This will be led by consumers and by listeners and will move at their pace. That is absolutely the industry's intention. We have to try and strike a balance as we do that between an aspiration that cajoles and kicks the car manufacturers along and incentivises set manufacturers and indeed helps me incentivise my colleagues to produce the content but is not so fast that it is unrealistic.

Q278 ***Chairman:*** What does Mr Tabor think of that?
Mr Tabor: I agree. For us, we have seen in the past some of our predecessors at Global—or GCap as it was—start new services with all good intentions and the aspiration that that would drive consumers to take up digital radio. Unfortunately I think in reality it was premature because of the coverage problems that Andrew has outlined. The challenge is the timing. For us to launch new services is an

opportunity for us and we see this as an aspiration, but it has to be done at the right moment, just as the tipping point is occurring, so that the coverage is there, so that the consumer experience is of a high enough quality that those services will actually be taken up by consumers. If it is timed right, then that is how the tipping point can be achieved.

Q279 ***Chairman:*** We have new terminology now in politics. We used to have pledges. We now have aspirations. It seems to be going into radio as well.
Mr Allen: I spent 15 years in television. We went through this and I think we learned some lessons. Initially, we were pushing for a deadline that was not doable because you had to align a number of different things. I think this idea of a target and, when you have aligned a number of things, you might think down the track of a deadline, that is the lesson that we learned from television. We rather simply think of it as the five Cs. Coverage we have talked about, where you align the coverage and have that in place. That then needs to be getting us, the industry, to thinking about content because coverage is not enough. You have to have the content. That then leads you into the consumer. It is not just about the content; it is about the total consumer proposition. That would be our third C. Cars are a big issue and the final issue that we think about is what we call communities. How are we going to address the low paid and the elderly in the process? As we think about a strategy, we rather oversimplify it by the five Cs but we think we have to have plans in place that address those five Cs. What we do feel very strongly is to have that target date and the industry uniquely working together. The industry has never come together this way. The Bill has brought us together. As Andrew said, the fact that you are having these sessions means there is a window of opportunity for us to move forward. That is what we think is quite exciting.

Q280 ***Baroness McIntosh of Hudnall:*** Mr Betton, can you fill in any gaps from a local perspective?
Mr Betton: I think it is very important—we have used the word "aspirational"—to be looking towards a date. We want something that is stronger after this rather than weaker, so the flexibility that is in the timetable to make sure that criteria are actually met, so when switchover does happen the minimum possible number of people are being disenfranchised, is crucial. I think it would be unwise to draw a line in the sand. We would like it to happen quickly but when we say "as quickly as possible" we mean within all the criteria so that our listeners and the consumers that we cover are not disadvantaged. It might just be worth making one other point here and that is that the FM spectrum at the moment is full. Some of the licences awarded under the previous regulator, the Radio Authority, to some of the smallest licensees really did not have adequate transmission facilities. Many of the small stations that do not have a route to DAB are probably finding life—in my case, definitely—more difficult because they do not have adequate FM facilities. An additional advantage of this timetable and moving some of the larger stations to exclusive FM transmission is that at last there will not be an excuse for the poor transmission of some of the smaller stations which are hugely popular with their local communities. There are rolling benefits from this timetable.

Q281 ***Lord Maxton:*** Leaving aside cars, can I put it to you that in fact by 2012 every household that has a television could also have digital radio because Freeview and all the other platforms offer radio stations. Why do they get that digital radio coverage, whereas you cannot get it on the DAB signals elsewhere?
Mr Harrison: That is purely a function of the transmitter build out and the coverage. Clearly, there is a whole government backed plan right now to convert all of the country to digital television. There are Arqiva engineers going up and down masts around the country to effect that transition. That will put the capability in place for all of the television network. Just the same process needs to be done on radio masts as well.

Q282 ***Lord Maxton:*** Your stations compete beyond that on those platforms?
Mr Harrison: We do and there is no doubt that, as we go through the journey to digital, one of the things that will help build consumer confidence post 2012 is, as you say, everybody will be able to access digital radio via their television. The problem with that from an industry perspective however overall is capacity and slots on Freeview or on Sky are limited, so you could not just migrate every station across. There just are not the physical slots on the programme guides. Secondly of course, the way that people listen to and consume the radio—in the bathroom, in the bedroom, in the kitchen and obviously in cars—is not the same way that they tend to consume the television. Although it is an important supplementary distribution platform and will be undoubtedly useful in the mix, it is not the overall channel.

Q283 ***Lord Maxton:*** Leave the cars. Is there not a research market out there somewhere to get some device so that you can get from your television to radios elsewhere in the house?
Mr Harrison: That is a possibility.

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Q284 *Chairman:* You do not want this date to be a deadline. I am not sure you want it to be a target. You certainly do not want it to be a pledge. How do you want it to be expressed?
Mr Harrison: Let me try and speak on behalf of the industry and the guys will speak for themselves. We do want it to be a target. We have a clear aspiration that we would move national, regional and large local stations to digital only delivery once those consumer criteria have been met. Our aspiration would be that that could be as early as the end of 2015. The earlier that date, the more certainty the industry has and the quicker we eliminate the cost of dual transmission. Our aspiration is to do it as quickly as we can. However, that is tempered by the reality of where we start from today and the likely pace of uptake and change. If you are asking the direct question, we absolutely have that aspiration.

Q285 *Chairman:* You started by saying you had a target. You then immediately changed it to aspiration.
Mr Harrison: I am interchanging targets and aspirations.

Q286 *Baroness McIntosh of Hudnall:* Perhaps the thing that is not entirely clear is whether you think that that 2015 target is achievable. In other words, what are the likely inhibitions to achieving it and is it in your view likely that they can be removed?
Mr Harrison: There are two criteria that need to be achieved. The first is the physical coverage build out of DAB to match FM. Our understanding from Arqiva, our transmission provider, is that physical build out programme is about a two year capital investment programme. Physically, there is more than enough time to do that. It is just a question of agreeing where you need to put those transmitters, agreeing the funding and so on. Physically, can that be done in the time? Absolutely.

Q287 *Baroness McIntosh of Hudnall:* In order for it to be physically done in the time, things have to be in place, do they not? Money has to be in place.
Mr Harrison: Absolutely. Can all that be achieved between now and the end of 2015, which is six years? Absolutely. The industry is alive to and committed to driving towards that aspiration. There is enough time to do it and this is an early stage in that process. Can listening become more than 50 per cent of the consumers listening to radio? I think that is going to be the bigger challenge but it is a possibility. We have looked for example on RAJAR at the relative amount of listening that happens to digital devices in the home, in the car and in work. The latest data is that in-home listening is now about 35 per cent or so to digital. That is obviously where the majority of digital sets are. It is much lower obviously in cars for example. The evidence is, where we have receivers placed and where we have good coverage, digital uptake is now becoming quite apparent. Clearly, for the whole industry to move, we have some of the more difficult problems that we touched on with cars that will take longer. That, to me, is quite a reassuring place to be because we think we can fix the technical build out. Whether we can hit the final target will depend on how quickly the listener adopts.

Q288 *Chairman:* It is down to the listener?
Mr Harrison: It is down to the listener, which is absolutely the right way it should be. We will provide the infrastructure in sufficient time to do it and if the listener converts we will be able to convert. If it is a bit slower, we will have to wait for the listener to get there. I think that is the right place to be.
Mr Tabor: I think we are in an enabling phase. To pre-prescribe a fixed date now would not be the right thing to do as an absolute, hard date. However, a target date I think is the right thing to do. It is good. It is aspirational. It invokes and inspires debate and has everybody moving in the same direction. As Andrew said a minute ago, I am quite sure we would not be seeing the level of debate and activity around this subject that we are seeing had that target not been set. We are certainly in favour of a target and I think with that target comes a lot of activity, but we are in an enabling phase, enabling the plumbing of the infrastructure to be set up so that coverage is correct, which enables us to invest more in content, which enables the consumer to actually understand the digital proposition. Once that happens we will reach a tipping point. The legislation we are talking about is enabling legislation for all of those things to happen. I think we are one step before we set the hard date and make the decision. We are in the enabling stage.

Q289 *Baroness Howe of Idlicote:* Listening to this is quite fascinating. One can almost share in your dilemma, facing all these choices. How far is this view really reflected across the whole of the commercial radio sector? You have had, I believe, a couple of quite important members resign recently. Why? As I understand it, they are equally keen on digital switchover. What is it that you were not able to push hard enough for them?
Mr Harrison: That is a very helpful perspective that you have given. I said at the start that the whole sector is aligned on the direction of travel and the importance of migrating to digital; community, BBC

and commercial. That is the case. That is also the case with UTV, for example, who I know you will see next week. All the conversations we have had with UTV show that they understand the importance of the direction of travel towards digital. There are only two groups who have left RadioCentre membership. The rest are still in RadioCentre membership and supporting the policy that we have outlined. UTV's position is more cautious currently on the overall pace of change. They are a somewhat unusual group within the commercial radio sector. They operate for example the only national speech station licence that we have, TalkSport. Their business is more reliant on national stations than local stations and clearly there will be more national stations that will emerge with digital radio. They also have a particular important concern around cars and conversion of cars. TalkSport, as you can imagine, is a national station. It relies a lot on in-car listening. It is a speech station so they are disproportionately—I think understandably—concerned that they would not want their listeners to be disenfranchised if cars were not converted. That is one of the absolute reasons why we are clear cars are important. The debate I think is much more around the pace and the speed of movement towards the transition. What I am trying to do overall within my role in RadioCentre is balance a wide variety of views. The truth is, if you take for example the other national AM operator, Absolute Radio, Absolute Radio already has 50 per cent of its listening to digital and it would switch off and switch over to digital only tomorrow. I have two national operators. One thinks we are going too quickly; one thinks we are not going quite fast enough. I have stations in membership who are digital only and therefore want the transition to digital to become fast and immediate, like Planet Rock. I have other stations that are local only and cannot see a future. It is a broad church. There are 350 stations. Everybody starts from the point, understandably, of where their business currently sits. I think the overall direction of travel of moving the industry to digital is absolutely the right thing for the listener and the industry. Moving there broadly as quickly as we can is in everybody's interests, but you are right to highlight that there are degrees of difference on the pace at which you can get there. I think that is just an understandable fact of where people's interests are in the analogue world and therefore how quickly they want to embrace digital.

Q290 ***Baroness Howe of Idlicote:*** I can see the point about TalkSport wanting obviously to have cars and have them converted. You gave quite a high proportion of homes where most of the listening is done but nevertheless there must be quite a subset of people—I speak with a certain vested interest—who go up and down for quite long journeys and therefore are pretty constant radio listeners. Their interests too would be perhaps coinciding to some extent with those who are not going along with you, or who are going along with you but do not feel you are concentrating hard enough on what they want. What about this business of FM and having a guarantee that FM will be there for long enough? What are you doing about that side of it, because quite clearly that is an issue as far as they are concerned?

Mr Harrison: It is an issue and it is one of the absolutely critical things in the Bill. Some of you will remember potentially from discussions that we have had before, if you wind back three or four years when digital radio switchover was first being mooted, it was being contemplated as a switchover and it was being contemplated that FM would disappear. That is absolutely not the proposal. The industry has fought hard with government and the regulator across the last three or four years. I would like to think RadioCentre has been part of that campaign to say no. It is not appropriate to switch FM off. That is a very important tier of offering to listeners and it is an important part of the plurality and diversity of the sector. The proposal is only that national, regional and the large local stations move to DAB and we deliberately keep a tier of radio on FM. That has a couple of benefits. It frees up FM spectrum in the community sector, which is a new sector in radio that has been licensed increasingly across the last three or four years, is fledgling and beginning to make an impact in its local communities. It frees up space for the local FM stations for whom it is not appropriate to move to digital to improve their signal quality and coverage for example, as Michael outlined. It is a very important part of the overall balance going forward that those stations for whom it is appropriate to remain on FM have that opportunity. It is entirely what is within the Bill.

Mr Allen: We are very supportive of that. We think it is a really important part of the Bill and the structure that there is a future for FM as well.

Mr Tabor: It is part of certainty for FM and digital.

Q291 ***Baroness Howe of Idlicote:*** As I understand it, there still is a concern as far as this group is concerned—they may well have other concerns—that there should be a greater guarantee that FM is going to be available until the point when all these other things happen and that it may well be well beyond 12 years if you are taking a really pessimistic look at this.

Mr Harrison: You are absolutely right. That is something that we would absolutely like to see the Lords and the Commons encourage Ofcom to deliver against, if you like. It is not something that requires legislation. It is part of Ofcom's licensing regime and at the moment one of the things that is making unanimous support for the Bill difficult is we do not have clarity from our regulator that those stations that remain on FM will be granted a licence beyond the five year term that they currently have. We think that is implicit within everybody's understanding but there is absolutely no doubt, for those small local or rural stations that remain on FM, they need clarity that they are not going to be frogmarched against their will to DAB in five or ten years' time but they have licensing certainty on FM. That is certainly our desire. We want that tier to prosper. Any help you can give to help encourage Ofcom to confirm that, if you like, within their licensing regime would be very helpful.

Q292 ***Baroness Howe of Idlicote:*** Are you really saying that it is Ofcom who holds this card rather than anything to do with government policy?
Mr Harrison: Yes. It is entirely within the licensing regime which is within Ofcom's gift. It does not require primary or secondary legislation. This piece of legislation is enabling. It facilitates the criteria to be met to switch over to digital, but because we are retaining a tier on FM there are no legislative changes required for that. What is required is the licence and certainty for those operators.

Q293 ***Baroness Howe of Idlicote:*** If nevertheless there was to be an amendment put down to the effect that FM should continue guaranteed for this particular group to the point when the full switchover takes place, would that help?
Mr Harrison: That would be very helpful because I think it would reassure the smaller stations within my membership that although I am saying to them, "My understanding of the interpretation from DCMS and Ofcom behind the Bill is this degree of certainty", because it is not formally written down, an amendment may help get that clarity.

Q294 ***Baroness Howe of Idlicote:*** If that is the sticking point, as it were, why have you not pressed it on their behalf and kept them with you, or have I missed something still?
Mr Harrison: We have just got a letter back from Ofcom. We have been working with Ofcom and writing directly to Stewart Purvis for example who was presenting to you earlier and working it through our regulator. You will understand we have also been cautious and circumspect. There are a number of amendments already on the Bill and it is working its way through the Lords. The timetable is tight. You will understand we have been somewhat cautious about encouraging too many amendments to be tabled, given the parliamentary timetable overall. In honest answer to your question, we have been working with Ofcom. It might be a very helpful amendment to reassure smaller stations.

Q295 ***Chairman:*** Could I just take up one point Baroness Howe made? There are some companies whose five year contract—is that not true of Global?—comes to an end in this period. How are you left then? At the moment part of your case is that you are spending a lot more money having both digital and analogue going at the same time. Theoretically, could someone come in and just take it from that particular point although you have spent that money?
Mr Tabor: We would have to reapply for that licence. The vast majority of our licences are dual transmitting on analogue and digital. Because of that, they do not fall into the category of those that are on a five year licence at the moment. For the very, very few we have that do, yes, when they expire we would have to reapply for them and we may or may not be successful in that application.

Q296 ***Lord Gordon of Strathblane:*** Surely that is the greatest contributor to uncertainty for the stations who are determined, quite rightly perhaps, to stay on FM even after the rest of the industry has migrated to digital? Surely there should be pressure to have licences for longer than five years since Ofcom normally extended them for 12 years?
Mr Harrison: Absolutely. That is what I think was behind Baroness Howe's question. Certainty would be very helpful.
Mr Betton: Those licences that are remaining on FM need to be strengthened to make sure that they can remain viable to provide those local services. If you are an operator of just one small FM licence, DAB is a massive headache, but that is not a good enough reason to say DAB should not be here. It is not appropriate for the smaller stations, but if we have a vibrant sector often in more rural areas that can be sustained through improved transmission—I think all the DAB sets coming out at the moment have FM on them too—we are looking forward to the time when it should be possible to have a set that will just let you put in the name of the radio station and it will not know whether it is on DAB or FM. What would be a tragedy would be those smaller stations, which absolutely do not have a route to DAB now, and the only way you could change that would be to find more spectrum that is not available but even then it could not be afforded. The only way to go forward I think without having big disadvantages for the smaller stations is to have a robust promise for FM, a promise that transmission coverage will be improved, and then I think the two sectors at changeover will happily co-exist. People will not be that bothered about whether a radio station is on DAB or FM. The

frequency advantages, the extra choice for listeners at larger local level, regionally and nationally, are so significant for DAB you cannot allow that other disadvantage to sit in the way. Provided we get that certainty on licensing, those two things will sit very comfortably alongside each other.

Q297 ***Lord Macdonald of Tradeston:*** Last week we heard the chairman of Digital UK highlighting funding as the biggest problem for the future of digital radio. I wonder if Mr Allen, with his very extensive business experience, could perhaps give us a view on how this funding problem will hit the companies. Who will be the winners and the losers? How much can the members of your group afford to invest in all this to make it happen?
Mr Allen: That is why it is really important we have this unique alignment with the BBC because working through that we are saying that the commercial sector would fund it where it is commercially viable and the BBC would fund it in terms of universality, between the two of us working together to get the best deal with Arqiva but, having got the best deal from a commercial perspective, putting a criterion in place and we would then agree how we would move that forward. I have worked in this industry for many years. I am encouraged that we truly should exploit that alignment. I have not seen it for many years in television. There is a window of opportunity for the BBC and the commercial sector to work together here. Obviously the BBC spends significant sums of money, as does the commercial sector, on its analogue spend, so it will be able to reduce its analogue spend and use that to help this investment. Just so we are not confused, we are not talking about a big, one off spend because the deal you would do with the provider—I do not want to talk detailed, commercial figures because that would be inappropriate—let us say 100 million would be the capital cost. That would be spread over the life of the licence, so you could save on one hand your analogue costs and use that to increase your investment in digital. We are making good progress to try and lay out the criteria for how that would be done because it is absolutely in the BBC's interests as well as the commercial sector's to address this.

Q298 ***Lord Macdonald of Tradeston:*** The fact is that so many of the commercial radio stations have been unprofitable or only marginally profitable and indeed there is always the risk that advertising might continue to decline. Do you think that they will be there when the call for funding comes?
Mr Allen: I think that is a good question. What you have is some businesses that are quite profitable. Two things: if they have a longer business plan model that they can present to their banks and their investors, which is an important part of it, and they have a plan that shows that their analogue costs have been more expensive than digital, they have a pathway potentially to profit. I cannot talk about all the smaller companies but in a financial structuring sense I can see how we might be able to deal with that, because the key thing to remember is that overall the cost of digital would be ultimately cheaper than the cost of analogue. However, the longer it goes on, the more money they will have invested. That will help bring certainty to those companies if you know when there is an approximate date. That is why the target date is quite important because it allows people to focus on that as a potential date for switchover, both in terms of putting in their financial models and presenting them to their investors.

Q299 ***Lord Macdonald of Tradeston:*** Mr Harrison, do you still have problems with the car manufacturers and persuading them to put the new equipment in? Do you have a technical problem at all with the multi-standard chip, which I think is still under development? Where have you got to with all that?
Mr Harrison: We have very good relationships with the motor manufacturers. We have just formed Digital Radio UK. I know Ford Ennals was presenting to you last week and the motor manufacturers are represented on that board through the SMMT. The truth is now with motor manufacturers that all of the major manufacturers have now done all the technical specification work that means you can get a DAB radio in their vehicles. Two years ago physically you could not get a radio in even if you wanted one. The really good news now is all the technical specifications, where you put the radio in line with the bumper, where it fits on the console, all of that is done. There is clearly an issue with the price at the moment of those as a factor option or a dealer option, as opposed to them being a standard line fit. All of the major manufacturers now have done the technical specification and we are very confident that the motor manufacturers will begin to put DAB radios in as standard over the course of the next two or three years. Indeed, as Ford Ennals hinted last week, we have had early indications that the major manufacturers in the UK on their most popular models will be introducing DAB as a standard line fit in the imminent future. I am very confident that that process is under way but inevitably it will take some time to work its way through into new car sales. In terms of the second question, do we support the multi-standard chip, absolutely. I think the work that Ofcom and its sister regulators in other countries have done to harmonise standards around a multi-standard chip has been immensely valuable. What this means in practice now

is that the major chip manufacturers will develop a chip that will work for digital radio in France, for digital radio in Germany, for digital radio in the UK even though the actual broadcast system in each country is slightly different. That of course is transformatory for the car industry, which is based in the three major European markets, Germany, France and the UK. If they can put a standard chip into all their radios, whether they are left hand drive or right hand drive, whether they are Mercedes models or Peugeot or Ford, that will be transformatory. That is also immensely helpful for all of the industry because once you have a European market and a standard chip the incremental cost of a multi-standard chip is not material versus the overall cost of buying a new car. We are confident that that is a breakthrough. What we really need now is the certainty and clarity that this process brings so that we can look the car manufacturers in the eye and say, "Look, this is going to happen at some stage in the next five, six or seven years so you need to be designing it into your models."

Q300 ***Lord Maxton:*** If you say that the average life of a car is ten years' usage in total and you then say it is going to be three or four years before even new cars are going to have these new radios in, you are talking about a 14 year period roughly. You do not buy a car for the radio; you buy a car for the car. You expect the radio to be in it and to work. You are talking of another 14 years where normal FM signals will continue.
Mr Harrison: There are two things there. The first is, as the Ofcom panel discussed earlier, the French Government has actually mandated that digital chips will be mandatory in all radios sold in France from 2012. We think that will inevitably have a trigger effect on all of the car industry. If they are having to produce digital radios as standard for France in new cars from 2012, it is almost certain that that will tumble all of UK new car sales from around about the same time. All new cars sold from two or three years' time will be digital. The question now is what devices will come onto the market that will facilitate transmission of digital signals and DAB for the used car fleet. It is already quite encouraging. You will be aware that there are already devices like the Pure highway out there that are beginning to do that, just as the Satnav technology has grown over the last few years and has come from an incidental add-on to a standard piece of kit that drivers buy. I anticipate the same thing will happen with DAB radio. It is one of the critical things about this facility to keep FM alive. A lot of these new fitments that enable DAB radio in FM cars work through the FM signal, so the fact that you are keeping FM alive is also rather clever to help facilitate that transition.

Q301 ***Lord St John of Bletso:*** You started by explaining the advantages of digital radio from better control, better use of spectrum, more choice and better quality. My question is one from the consumers. Do you think that consumers in Britain appreciate these benefits? What is being done to educate consumers on switching to digital? In a recent Ofcom report, they estimated that every household has up to five radios and Professor Collins estimates that the cost to listeners to migrate to digital would be something in the region of £200 per household. Do you agree with this figure?
Mr Harrison: There are two separate questions there. Do consumers value the new services? The evidence that we have from RAJAR on listening figures is yes, they do. If you look at stations like Planet Rock, which has 700,000 listeners a week or Jazz FM, which has about 400,000 a week, which are new, niche, commercial services or you look at 6 Music and BBC7 and so on, there is growing evidence that the new stations that are beginning to appear are beginning to draw listeners in their own right. Inevitably, these are early days and they are fledgling services and of course they are competing against very strong national institutions that are broadcast on FM, but I think the evidence is we are beginning to see quite a bit of encouraging attraction, if you like, on those services. The second part of your question was?

Q302 ***Lord St John of Bletso:*** What is being done to educate consumers? The second question is the cost of migration, according to Professor Collins and the Ofcom report, is something in the region of £200 per household.
Mr Tabor: On consumers for a moment, I think digital radio as we have discussed allows us to do things which we cannot currently do on analogue. It is hard to demonstrate that to the consumer at a point when they are not actually able to see it. It is rather like digital mobile phones which can now handle all sorts of things like email and messaging. If we had said that to the consumer back then, they would have said, "We do not need that, do we?" but now you cannot really imagine not having those facilities on your phone. Digital technology will allow us to offer the consumer all sorts of things, rather like the red button on a digital television, which is valuable to consumers but in the past you probably would not have seen a use for it. It unlocks all sorts of consumer benefits like that as well.
Mr Harrison: On the cost of migration, no I do not agree those numbers. The latest Ofcom report that we have seen has said that, while there are a large number of radios in circulation, the actual number of radios that are regularly used in homes is more like about 50 million sets, as opposed to ones that have been lying

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in the garage for 20 years and in practice are not used or, far more typically, you get a lot of radios that are built into old fashioned hi-fi systems and things like that that are in practice never accessed but count as a device that exists. We anticipate in practice you would need to build to about 50 million set sales. Some of that will happen very naturally through the new car introduction. When people replace cars, they will automatically get the radio as part of that new car process. The true difference is then between what is currently around 10.5 million DAB set sales and building to 30 or 40 analogue set sales in practical use. I think a lot of that will happen by the natural process of set conversion over the next five or six years. The price point for digital radios is coming down all the time and this new multi-standard chip set that we talked about will inevitably be part of that. I think therefore realistically, if you are looking at let us say a target price of £20 for a digital radio on a going basis, which is what we can currently get analogue radios for, if you need to change two or three sets, that is an investment of £50 or £60 over the next five or six years. The natural consumer uptake and the natural replacement cycle of consumer electronics will take care of a significant part of that. We will need to make sure, as we are doing as part of Digital Radio UK, that there is a help scheme for the disadvantaged and for those that do not naturally form part of the replacement cycle, but I do not anticipate it is a problem that we should over exaggerate. Consumers with consumer electronics and the pace of change are such that replacing a £20 radio is nothing.

Q303 ***Lord Gordon of Strathblane:*** Is there any prospect yet of converting analogue sets to digital? Otherwise there is a huge dumping problem. 50 million sets going on to a skip is not particularly ecologically friendly.
Mr Harrison: Remember, because we are retaining FM, there is no reason to dump the old sets. They will still be able to receive the local FM services, so they are not redundant.

Q304 ***Lord Gordon of Strathblane:*** It depends what you listen to.
Mr Harrison: There is an immense amount of work going on behind the scenes of the industry to look at those sorts of plug in devices, adaptors and converters.
Mr Betton: There would in practice be no reason, provided you had the right power supply, that you could not use one of the kits you use in the car on your home radio. Indeed, Bose make a wave radio that you can buy, a block that goes on the back, which changes it into a DAB radio. If you have very expensive existing infrastructure either in your car or in your house, you could buy a converter but I think Andrew is absolutely right. For most people, the reason they have lots of radios is because they do not throw them away, not that they actually need to use them.

Q305 ***Lord Gordon of Strathblane:*** The FM converter selling at the moment says it can be taken out of the car, put in the house and used.
Mr Harrison: We are working for example with those manufacturers on that in-car technology and whether it can be adapted.

Q306 ***Chairman:*** It is going to be quite a sensitive issue with the public, is it not? You have talked about it in grand, strategic terms but, for the person who has four radios which have suddenly become redundant, it is going to become an issue.
Mr Tabor: Again, it is all about the consumers being persuaded that they want the digital radio because they want the functionality it brings. In much the same way as any new technology, it really has to be driven in that way rather than in any other.
Chairman: You have been very patient. We have taken you way over time. Thank you very, very much for coming. It was a very interesting and very important session, as far as we are concerned. Thank you very much for your time and thank you very much for the way you have answered the questions.

WEDNESDAY 3 FEBRUARY 2010

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

Memorandum by Mr Grant Goddard

I am pleased to offer evidence as an individual on the issue of digital switchover of radio broadcasting in the United Kingdom. I have attached a detailed presentation entitled "Digital Radio In The UK: Progress & Challenges" which the European Broadcasting Union commissioned for me to present to its Digital Radio Conference in Tunis in June 2009. An executive summary follows.

I believe that complete digital switchover is unlikely to ever happen to UK radio. This is due to a combination of factors:

— The characteristics of radio make the logistics of switchover a very different proposition to the television medium

— The robustness of the existing analogue FM radio broadcasting system

— Shortcomings of the digital broadcast system, "Digital Audio Broadcasting" [DAB], that is intended to replace analogue radio broadcasting in the UK.

I will elaborate on these issues more specifically:

1. *Existing FM radio coverage is robust with close to universal coverage*

— 50 years' development and investment has resulted in FM providing robust radio coverage to 98.5% of the UK population

2. *No alternative usage is proposed for FM or AM radio spectrum*

— Ofcom has proposed no alternate purpose for vacated spectrum

— There is no proposed spectrum auction to benefit the Treasury

3. *FM/AM radio already provides substantial consumer choice*

— Unlike analogue television, consumers are already offered a wide choice of content on analogue radio

— 14 analogue radio stations are available to the average UK consumer (29 stations in London), according to Ofcom research

4. *FM is a cheaper transmission system for small, local radio stations*

— FM is a cheaper, more efficient broadcast technology for small, local radio stations than DAB

— A single FM transmitter can serve a coverage area of 10 to 30 miles radius

5. *Consumers are very satisfied with their existing choice of radio*

— 91% of UK consumers are satisfied with the choice of radio stations in their area, according to Ofcom research

— 69% of UK consumers only listen to one or two different radio stations in an average week, according to Ofcom research

6. *Sales of radio receivers are in overall decline in the UK*
   — Consumer sales of traditional radio receivers are in long-term decline in the UK, according to GfK research
   — Consumers are increasingly purchasing integrated media devices (mp3 players, mobile phones, SatNav) that include radio reception

7. *"FM" is the global standard for radio in mobile devices*
   — FM radio is the standard broadcast receiver in the global mobile phone market
   — Not one mobile phone is on sale in the UK that incorporates DAB radio

8. *The large volume of analogue radio receivers in UK households will not be quickly replaced*
   — Most households have one analogue television to replace, whereas the average household has more than five analogue radios
   — The natural replacement cycle for a radio receiver is more than ten years

9. *Lack of consumer awareness of DAB radio*
   — Ofcom said the results of its market research "highlights the continued lack of awareness among consumers of ways of accessing digital radio"

10. *Low consumer interest in purchasing DAB radio receivers*
   — Only 16% of consumers intend to purchase a DAB radio in the next 12 months, according to Ofcom research
   — 78% of radio receivers purchased by consumers in the UK (8m units per annum) are analogue (FM/AM) and do not include DAB, according to GfK data

11 *Sales volumes of DAB radio receivers are in decline*
   — UK sales volumes of DAB radios have declined year-on-year in three consecutive quarters in 2008/9, according to GfK data

12. *DAB radio offers poorer quality reception than FM radio*
   — The DAB transmission network was optimised to be received in-car, rather than in-buildings
   — Consumer DAB reception remains poor in urban areas, in offices, in houses and in basements, compared to FM

13. *No common geographical coverage delivered by DAB multiplexes*
   — Consumers may receive only some DAB radio stations, because geographical coverage varies by multiplex owner

14. *Increased content choice for consumers is largely illusory*
   — The majority of content available on DAB radio duplicates stations already available on analogue radio

15. *Digital radio content is not proving attractive to consumers*
   — Only 5% of commercial radio listening is to digital-only radio stations, according to RAJAR research
   — 74% of commercial radio listening on digital platforms is to existing analogue radio stations, according to RAJAR research

16. *Consumer choice of exclusive digital radio content is shrinking*
   — The majority of national commercial digital radio stations have closed due to lack of listening and low revenues
   — After ten years of DAB in the UK, no digital radio station yet generates an operating profit

17. *Minimal DAB radio listening out-of-home*
    - Most DAB radio listening is in-home, and DAB is not impacting the 37% of radio listening out-of-home
    - Less than 1% of cars have DAB radios fitted, according to DRWG data

18. *DAB radio has limited appeal to young people*
    - Only 18% of DAB radio receiver owners are under the age of 35, according to DRDB data
    - DAB take-up in the youth market is essential to foster usage and loyalty

19. *DAB multiplex roll-out timetable has been delayed*
    - New DAB local multiplexes licensed by Ofcom between 2007 and 2009 have yet to launch
    - DAB launch delays undermine consumer confidence

20. *Legacy DAB receivers cannot be upgraded*
    - Almost none of the 10m DAB radio receivers sold in the UK can be upgraded to the newer DAB+ transmission standard
    - Neither can UK receivers be used to receive the digital radio systems implemented in other European countries (notably France)

21. *DAB/FM combination radio receivers have become the norm*
    - 95% of DAB radio receivers on sale in the UK also incorporate FM radio
    - 9m FM radios are added annually to the UK consumer stock (plus millions of FM radios in mobile devices), compared to 2m DAB radios, according to GfK data

22. *DAB carriage costs are too high*
    - Carriage costs of the DAB platform remain too costly for content owners to offer new, commercially viable radio services, compared to FM
    - Unused capacity exits on DAB multiplexes, narrowing consumer choice

23. *DAB investment is proving too costly for the radio industry*
    - The UK radio industry is estimated to have spent more than £700m on DAB transmission costs and content in the last ten years
    - The UK commercial radio sector is no longer profitable, partly as a result of having diverted its operating profits to DAB

24. *DAB is not a globally implemented standard*
    - DAB is not the digital radio transmission standard used in the most commercially significant global markets (notably the United States)

These factors make it unlikely that a complete switchover to DAB digital terrestrial transmission will happen for radio in the UK.

With television, there existed consumer dissatisfaction with the limited choice of content available from the four or five available analogue terrestrial channels. This was evidenced by consumer willingness to pay subscriptions for exclusive content delivered by satellite. Consumer choice has been extended greatly by the Freeview digital terrestrial channels, many of which are available free, and the required hardware is low-cost.

Ofcom research demonstrates that there is little dissatisfaction with the choice of radio content available from analogue terrestrial channels, and there is no evidence of consumer willingness to pay for exclusive radio content. Consequently, the radio industry has proven unable to offer content on DAB of sufficient appeal to persuade consumers to purchase relatively high-cost DAB hardware in anywhere near as substantial numbers as they have purchased Freeview digital television boxes.

Additionally, it has taken far too long to bring DAB radio to the consumer market, and its window of opportunity for mass take-up has probably passed. Technological development of DAB was started in 1981, but the system was not demonstrated publicly in the UK until 1993 and not implemented for the consumer market until 1999. In the meantime, the internet has expanded to offer UK consumers a much wider choice of radio content than is available from DAB.

In this sense, DAB radio can be viewed as an "interim" technology (similar to the VHS videocassette) offering consumers a bridge between a low-tech past and a relatively high-tech future. If DAB radio had been rolled out in the early 1990s, it might have gained sufficient momentum by now to replace FM radio in the UK. However, in the consumer's eyes, the appeal of DAB now represents a very marginal "upgrade" to FM radio. Whereas, the wealth of radio content that is now available online is proving far more exciting.

The strategic mistake of the UK radio industry in deciding to invest heavily in DAB radio was its inherent belief in the mantra "build it and they will come." Because the radio industry has habitually offered content delivered to the consumer "free" at the point of consumption, it failed to understand that, to motivate consumers sufficiently to purchase relatively expensive DAB radio hardware would necessitate a high-profile, integrated marketing campaign. Worse, the commercial radio sector believed that compelling digital content could be added "later" to DAB radio, once sufficient listeners had bought the hardware, rather than content being the cornerstone of the sector's digital offerings from the outset.

In my opinion, the likely outcome is that FM radio (supplemented in the UK by AM and Long Wave) will continue to be the dominant radio broadcast technology. For those consumers who seek more specialised content or time-shifted programmes, the internet will offer them what they require, delivered to a growing range of listening opportunities integrated into all sorts of communication devices. In this way, the future will continue to be FM radio for everyday consumer purposes, with personal consumer choice extended significantly by the internet.

I hope that my evidence proves useful in your deliberations. If you have any questions, please do not hesitate to contact me.

Biographical note:

Grant Goddard is an independent media analyst specialising in the radio broadcast sector with three decades' experience as a manager and consultant in the broadcast and music industries. Mr Goddard has launched successful, large-scale commercial radio stations in the UK, Europe and Asia. He contributed substantially to the Digital Britain report on the regulation of local commercial radio, and was called to give evidence to the most recent Competition Commission inquiry into commercial radio.

21 January 2010

Memorandum by 13 Local Commercial Radio Operators including UKRD Group and UTV Media

Executive Summary

1. This is a joint submission to House of Lords Communications Committee by Atlantic FM, Brighton & Hove Radio Ltd, Isle of Wight Radio, Media Sound, New Wave Media, Shetland Islands Broadcasting Company, 107 The Bee, The Local Radio Company, 96.2 The Revolution, Tomahawk Radio Ltd, UKRD Group, UTV Media and West Berkshire Radio Ltd. Our submission focuses on the Government's 2015 digital radio switchover proposals.

2. Our companies are committed to the development and growth of radio in the digital age. However, we believe that switching off AM and FM signals in 2015 would not be in the interest of consumers, and that the proposal to exclude over 120 local commercial radio stations from digital migration plans damages local radio.

3. Rather than pressing ahead with a selective switchover in 2015, before consumers are ready, we propose that the switchover, if and when it occurs, should encompass all commercial and BBC radio.

4. Instead of the measures currently outlined in the Digital Economy Bill, we propose:

- (a) Maintaining the valuable deregulation for local radio along with means of reconfiguring digital radio networks (Digital Economy Bill clauses 34–35).
- (b) Delaying legislation to enable digital radio switchover (Digital Economy Bill clauses 30–33 and 36) until such a time as:
  - (i) switching off AM and FM signals is clearly in the interest of consumers; and
  - (ii) there is a plan to deliver digital migration pathways for all local commercial radio stations via a solution such as DAB+.
- (c) In the meantime, allowing analogue and digital platforms to co-exist within a multiplatform environment, with Ofcom delivering regulatory and licensing reforms which already lie within its power to benefit commercial radio.

About our Companies

5. This is a joint submission to the Committee's Inquiry by Atlantic FM, Brighton & Hove Radio Ltd, Isle of Wight Radio, Media Sound, New Wave Media, Shetland Islands Broadcasting Company, 107 The Bee, The Local Radio Company, 96.2 The Revolution, Tomahawk Radio Ltd, UKRD Group, UTV Media and West Berkshire Radio Ltd. A full list of the 53 radio stations supporting this submission is included at Annex A.

6. The 52 local AM and FM commercial radio stations we operate comprise 18% of the 281 local commercial radio licences in the UK. UTV also operates one of the three national analogue commercial radio licences—for talkSPORT—which is broadcast via AM, national DAB, Internet, Sky, Freeview, FreeSat and Virgin Media. The 53 radio stations represented here account for around 13% of all commercial radio revenue and are listened to by five million adult listeners a week. Our analogue and digital radio licences cover all four nations of the UK, with a geographical spread ranging from Shetland Islands to Cornwall.

7. The companies represented by this submission include UTV Media and UKRD Group, the third and fourth largest radio groups in the country by number of Ofcom licences held. These companies also collectively own First Radio Sales, which represents national airtime sales for 118 local and digital radio stations.

8. Our companies are committed to the development and growth of radio in the digital age. For instance, UTV Media and UKRD Group are major investors in digital radio, with UTV Media (GB) controlling more digital radio multiplexes than any other commercial radio operator with the exception of Bauer Media. High weekly listening to UTV's national speech station talkSPORT is driven by its availability on all major digital platforms, as well as AM.

9. Our submission includes findings from new consumer research which was conducted amongst 1,000 talkSPORT listeners in November 2009 and is presented here for the first time.

Background: The Government's 2015 Radio Switchover Proposals

10. In its June 2009 *Digital Britain* White Paper, the government proposed that all large local and national BBC and commercial radio stations switch off their FM and AM signals in 2015 and move to digital-only transmission. The Digital Economy Bill was introduced in November 2009 to enable this outcome, in the words of Lord Mandelson, "by the end of 2015".[1] The precise switchover date would be determined at least two years in advance subject to achieving digital listening and coverage targets.

11. The Digital Economy Bill has divided the radio industry, with support driven by large radio groups, rather than local radio stations or listeners. Many large radio groups and the commercial radio trade body RadioCentre are supporting the Bill to hasten an end to burdensome dual transmission costs and to secure extensions to national analogue licences.

12. UTV Media (GB) and UKRD Group resigned from the commercial radio industry body RadioCentre in Autumn 2009 due to their opposition to its support for the Government's switchover proposals in their current form. The other operators supporting this submission share the concerns expressed here.

2015 FM/AM Switch Off is Not in the Interest of Consumers

13. Our first major concern regarding the Government's current switchover proposals is that the proposed 2015 timescale is unrealistic, as it leaves insufficient time to ensure that switchover can proceed to the benefit of all consumers, and of radio as a whole. This timetable has been proposed despite the Government's own Digital Radio Working Group projecting an earliest possible switchover date of 2017.

The Current Model is Delivering for Radio Listeners

14. From the consumer's perspective, radio is currently thriving, with the multiplatform model enabling record listening figures during 2009. 90% of the population tunes in every week and new platforms such as the internet, television, DAB digital radio and mobile phones have added new ways of listening to radio, bolstering the medium's ubiquity and portability.[2]

15. As well as record listening, radio is also currently enjoying record consumer choice. The average listener has a choice of eight national stations and six local stations via FM and AM. In addition, digital platforms have added special interest stations offering specialist music, religious or minority ethnic programming for those that want them. As a result, only 3% of listeners are dissatisfied with the available choice of radio

[1] *Hansard, Digital Economy Bill—Second Reading,* 2 December 2009 http://www.publications.parliament.uk/pa/ld200910/ldhansrd/text/91202-0002.htm

[2] RAJAR, Q3 2009.

stations, with 69% of consumers choosing to listen to just one to two favourite stations from the wide range available.[3]

16. As a result, listeners are not moving away from FM/AM at anything approaching the rate necessary for a switch-off in 2015. With the current multi-platform model delivering wide choice and accessibility of quality services which are free at the point of use, 64% of talkSPORT listeners say that they are happy with how they listen to radio at the moment.[4]

17. These listener attitudes are reflected in industry listening data. This shows that three quarters of all radio listening is still to FM and AM, with the new digital-only stations like Planet Rock and BBC 7 accounting for just 4% of total radio listening.[5] Take-up of additional data services and interactivity offered via DAB is much lower than expected and DAB receivers account for only 22% of present radio sales.[6] At 21% in Q3 2009,[7] digital listening is already lagging behind the Government's 2009 year-end target of 26%.[8]

Upgrading to DAB is Expensive for Consumers

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

19. The primary cause of this is the relatively small size of the global digital radio market, which has hitherto made it difficult for international consumer electronics manufacturers to achieve the economies of scale necessary to deliver cheap mass market DAB receivers, with DAB chips being routinely installed in new cars or portable devices. In fact, with digital radio failing to take off internationally, FM's position is currently being strengthened due to the growing popularity of FM-enabled smart-phones and mp3 players. 45% of mobile phones are expected to have FM radio by 2011 with DAB having been sidelined by global manufacturers such as Apple and Nokia.[12]

20. During tough economic times, the evidence shows that consumers are reluctant to consider expensive purchases. The additional services and functionality theoretically available via DAB are simply not enough of an incentive for consumers to invest in digital radios. Due to the cost of upgrading, only 16% of consumers say that they plan to buy a digital radio in the next year.[13] As part of talkSPORT's November 2009 listener survey, listeners were told about the Government's plans to move services to digital as soon as 2015, with 64% saying that they would not be happy to have to pay to change how they listen to radio. Only 20% of listeners said that, in the event of a switchover, they would change all their radios.

Universal DAB Reception is Unachievable by 2015

21. Current DAB coverage is inadequate—whether in the home, office or car. AM and FM enjoy near universal coverage of 99% of the country but only 90% of the population has access to digital radio stations, with a much lower proportion being able to access local commercial radio services. As yet, the government has not agreed methodology with the industry to accurately assess the coverage gap between analogue platforms and DAB, hindering efforts to properly understand the scale of the problem.

22. Nevertheless, research already shows that 25% of DAB owners are put off buying another set because of reception problems,[14] with the cost of improving reception to FM standards estimated to be at least £150 million.[15] This cost will be borne by broadcasters and ultimately licence fee payers and consumers, although the government has so far failed to spell out the level of public funds available, with commercial radio operators unable to afford further investments in digital radio coverage.

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3 Ofcom, *The Communications Market Report,* August 2009.
4 talkSPORT online research from a base of 1,000 listeners, November 2009.
5 RAJAR Q3 2009.
6 Ofcom, *The Communications Market Report,* August 2009.
7 RAJAR Q3 2009.
8 RAJAR.
9 RAJAR.
10 Digital Radio Development Bureau.
11 Ofcom, *The Communications Market Report,* August 2009/Digital Radio Development Bureau.
12 National Association of Broadcasters (USA).
13 Ofcom, *The Communications Market Report,* August 2009.
14 Digital Radio Development Bureau.
15 Digital Radio Working Group 2008/UTV Media analysis.

23. Even if these coverage issues are addressed by 2015, the UK will find it impossible to ensure universal DAB reception at the reception equipment level. This is largely the result of AM and FM's continuing predominance within the international consumer electronics market.

24. If nothing else, it is inconceivable that universal DAB reception can be delivered by 2015. In-car listening is hugely important to radio, accounting for 20% of all listening.[16] Yet less than 1% of UK cars are currently able to receive DAB through a compatible digital receiver. Even if all cars are fitted with DAB as standard from the end of 2013, as the Government has proposed, this proportion is set to rise to just 10% by 2015 and 90% by 2020.[17]

25. The Government's proposed solution is for consumers to purchase "after-fit" hardware such as Pure's "Highway" device but these have not proven a success. Evidence suggests that consumers do not want to have loose wiring and secondary aerials across the fascias and windscreens of their cars. They also object on cost grounds, with only 27% of respondents to a recent talkSPORT survey saying that they would be willing to pay extra to upgrade their car radio to digital. We believe that the solution lies in aligning the UK's switchover plans with international developments in digital radio and vehicle technology and accepting a longer time-frame for switchover.

AM and FM Switch-off will Impose Wider Costs on Society

26. Without a plan to protect at-risk groups, AM/FM switch off will disproportionately disadvantage certain sections of society. For instance, consumers in England are 43% more likely to have a DAB radio than those in Scotland, with similar gaps in Northern Ireland, Wales and rural areas.[18] Radio is also a lifeline to vulnerable groups, such as the elderly or partially-sighted communities. These groups may lose out in a switchover process.

27. AM/FM switch-off will also have significant environmental costs, with 120 million analogue sets potentially requiring disposal. UK car manufacturers are being forced to invest heavily in DAB car radios—expenditure which will be passed on to motorists.

There is no "Digital Dividend" from Radio Switchover for Taxpayers

28. A key difference between TV and radio switchover relates to the absence of a "digital dividend" for the taxpayer from clearing AM and FM spectrum bands. Vacated analogue TV spectrum will be auctioned off by the Treasury following the television switchover process, generating £billions for the UK taxpayer. However, the best technical use of AM and FM is to broadcast radio. This means there is no "digital dividend" to offset the cost of the "digital upgrade" to consumers.

29. In fact, rather than earning the Government money, the digital switchover plan and specifically the Digital Economy Bill will deprive the Treasury of independent national radio licence revenue which is due to it under existing legislation. Via Clause 31 of the Bill, the Government is offering Classic FM, Absolute Radio and talkSPORT licence extensions of up to seven years. This deprives taxpayers of auction revenue due under current legislation and removes the opportunity for new entrants and investment.

2015 FM/AM Switch Off will Damage Local Radio

30. As well as acting against the interests of consumers, the Government's 2015 AM/FM switch off would damage local radio by leaving over 120 local commercial radio stations on FM when larger stations move to digital. The Digital Britain White Paper proposes that these stations form part of a secondary "ultra-local" tier of radio, with the rest of the "ultra-local" tier being made up of community radio stations, licensed on a not-for-profit basis to deliver "social gain".

31. The decision to leave 120 local commercial radio stations on FM is driven by the limitations of the UK's current digital radio network. Digital coverage is delivered via local DAB "multiplexes" which combine up to 10 stations into a single digital transmission. However, the technical limitations of these multiplexes means that they:

(a) lack sufficient capacity to carry every station in the area;

(b) are too expensive for smaller local operators; and/or

(c) cover the wrong geographical footprints.

[16] RAJAR.
[17] Digital Radio Development Bureau, June 2009/UTV analysis.
[18] Ofcom, *The Communications Market Report,* August 2009.

Exclusion from Radio's Digital Future will Hamper Local Radio's Viability

32. By depriving 120+ local commercial radio stations any options to move to digital at switchover, the switchover-enabling clauses of the Digital Economy Bill threaten the long-term viability of these stations. FM and AM are cheap and efficient transmission systems. However, they will cease to be attractive platforms for local radio if and when the majority of radio listening and radio station are migrated to digital (which the Government has said it hopes to achieve by 2013).

33. The effects of leaving these stations on FM at a switchover would be two-fold. Firstly, the stations affected would find it increasingly difficult to retain access to listeners, due to their absence from digital menus, their narrower geographical availability and their inferior interactivity and functionality compared with digital rivals. Secondly, a combination of reduced listening and lack of additional digital functionality would make these stations less attractive to advertisers, thus depriving them of crucial revenue.

34. One important example of the type of negative consequence which would result from the development of a two-tier broadcast system for commercial radio, is the creation of a two-tier audience measurement system. Commercial radio and the BBC currently use a single audience measurement system—RAJAR. However, the migration of all larger stations to a digital transmission model is likely to lead to changes in the geographical sample areas used to collect radio listening data, to reflect the transmission areas of digital multiplexes. This would make RAJAR unsuitable for stations remaining on FM, meaning that they would not appear on national advertisers' planning systems. This creates a clear threat to local commercial radio stations which cannot move to digital, paving the way for FM to cease to support commercial models of radio.

35. The Digital Economy Bill strives to create a strong foundation for the future viability and success of local commercial radio. It partially achieves this, with clause 34 of the Bill containing valuable deregulatory measures which will give local stations additional flexibility to manage their cost base. Clause 34 is supported by the entire radio industry. However, by excluding 120+ local radio stations, without spelling out plans for their long-term future, the Bill casts considerable uncertainty over their future prospects.

The Government has Failed to give Local Radio the Protection it needs

36. In response to these concerns, the Government has acknowledged a need to avoid damaging local radio stations by denying them a digital future. However, it has so far stopped short of supporting calls for a universal switchover. Creative Industries Minister Sion Simon MP recently proposed "a combined station guide, which is similar to an electronic programme guide, that will allow listeners to access all stations by name, irrespective of the platform".[19] This idea is not new, although the Government's support is, having not appeared in the Digital Britain White Paper.

37. Unfortunately, no working prototype of such technology yet exists, meaning that it has little chance of universal implementation ahead of a 2015 switchover. The proposal constitutes an overwhelmingly inadequate response by Government, providing little comfort to local radio operators. In particular:

- The Government has not specified how it intends to force manufacturers, operating in global markets, to alter their products for the UK. As it stands, implementation relies on manufacturers choosing to install additional technology.
- It is likely to increase the cost of receivers, with this cost being passed on to consumers. This will be particularly apparent amongst entry-level sets, which are crucial to driving higher digital radio take-up.
- It will not address the lack of additional digital functionality for those stations remaining on FM, perpetuating a divide between those stations which are able to access the digital platform and those which are not.
- It does not provide a solution for the 10m DAB sets currently in homes, as well as sets currently available for sale in the UK.

38. The Government has further argued that local commercial radio stations will enjoy growth opportunities on FM after the switchover, despite the migration of the vast majority of listening to digital platforms. These growth opportunities are described as taking the form of coverage enhancements, licence extensions, room for additional services and improved access to advertising revenue. In reality, these benefits are of low or even negative value.

- *Coverage enhancements:* The vast majority of local commercial radio stations already have ample coverage to reach the areas they are licensed to serve, due to the efficiency of FM. Some stations are currently seeking coverage enhancements, but these are mostly within Ofcom's gift to grant, rather

[19] *Hansard,* "Westminster Hall Debate—The Future of Local Radio", 12 January 2010, http://www.publications.parliament.uk/pa/cm200910/cmhansrd/cm100112/halltext/100112h0012.htm

than requiring legislative change. For other stations, the greater opportunity for improved coverage would come in being able to access the upgraded digital platform.

— *Licence extensions:* The Digital Economy Bill contains no provisions allowing stations which are not on DAB to have their licences extended. Most local commercial radio stations already have licences which run to at least 2015, and Ofcom already has powers to readvertise licences for 12 years or longer, should it choose to do so. However, the Government's *Digital Britain* White Paper states that the stations which remain on FM "should only do so temporarily", albeit without committing to delivering digital migration pathways for them. This inhibits Ofcom's ability to deliver long-term licences for these stations.[20]

— *Room for additional services on FM:* Most towns and cities in the UK have at least one local commercial or community radio station. However, both sectors are currently struggling to sustain all their existing stations, with listening and funding fragmented between those services which do exist. Although this may change, the main impact of licensing new "ultra-local" stations is likely to be to undermine the viability of established stations.

— *Improved access to advertising:* The Government has argued that ultra-local stations will enjoy reduced competition for local advertising. In fact, by enabling more stations at this level, the reverse will be the case. Furthermore, lack of access to digital will reduce these stations' current attractiveness to national advertisers.

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

The Solution: A Universal Switchover Taking Place only when Listeners are Ready

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

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

— Digital capacity for all local commercial stations within multiplex areas.

— Lower transmission costs per station, including affordability for localised operators; and

— Improved signal quality, through use of higher bit rates.

42. The feasibility of a universal switchover is aided by the compatibility of new digital radio sets with both DAB and DAB+ technologies. Unlike the Government's hypothetical universal station list, DAB+ compatible technology is already on the UK High Street, with the relevant chipset having been endorsed in the Digital Britain White Paper as the technology which should underpin all digital radios now on sale. Accordingly, a universal switchover could be almost entirely delivered via DAB+, with just a small number of hilly or rural areas remaining which would require another solution (such as the digitisation of existing FM spectrum via DRM+).

43. Announcing now that any switchover will take advantage of DAB+ will give confidence to consumers that when they buy a new digital radio, it will continue to work after the switchover. At the same time, it protects owners of the UK's 10 million existing DAB receivers by guaranteeing that they will continue to function until such time as the UK's 120 million analogue receivers and 10 million DAB receivers have all been replaced with DAB+ compatible sets.

44. In place of the current measures outlined in the Digital Economy Bill, we propose:

(a) Maintaining the valuable deregulation for local radio along with means of reconfiguring digital radio networks (Digital Economy Bill clauses 34–35).

(b) Delaying legislation to enable digital radio switchover (Digital Economy Bill clauses 30–33 and 36) until such a time as:

(i) switching off AM and FM signals is clearly in the interest of consumers; and

(ii) there is a plan to deliver digital migration pathways for all local commercial radio stations via a solution such as DAB+.

[20] *Digital Britain Final Report,* June 2009, page 95.

(c) In the meantime, allowing analogue and digital platforms to co-exist within a multiplatform environment, with Ofcom delivering the regulatory and licensing reforms which already lie within its gift to implement to the wider benefit of commercial radio and its listeners.

February 2010

Annex:

The 53 Stations Supporting This Submission

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

Examination of Witnesses

Witnesses: Mr Grant Goddard, independent radio analyst; Mr John Myers, author of the independent review of local radio; Mr William Rogers, Chief Executive Officer, UKRD; and Mr Scott Taunton, Chief Executive Officer, UTV Radio, called.

Q307 ***Chairman:*** Thank you very much for coming. As you know, we are looking at the digital switchover. We are particularly interested in radio. Could you each introduce yourself briefly and say, in a sentence or two, something about your interest or expertise or company. Then I would like you to add to that how you see the position of commercial radio at the moment—its prosperity or lack of it.

Mr Taunton: I am Scott Taunton and I am the Chief Executive of UTV Radio. We operate 15 radio stations in Great Britain, 14 of them local radio stations and talkSPORT, one of the three national licences. As an industry, we have seen a significant decline over the last number of years. I think revenue peaked in 2004 and overall the industry, commercial radio, has seen revenues decline from north of £600 million to about £500 million. In the main, the larger licences are still generally profitable and, as I am sure John Myers will point out in a moment, his review of radio as a whole indicated that smaller radio stations have suffered, not least because of the recessionary period but overall in getting the efficiencies that have been required to remain profitable during that period.

Mr Myers: I am John Myers. I am the former Chief Executive of the Radio Division of the Guardian Media Group. I am also the author of the Myers report into the localness in radio last year. As Scott said, the commercial radio industry, as I said in my report, is actually in crisis. Around 70 to 80 per cent of stations broadcasting to a population of under 700,000 are unprofitable or making less than £100,000, which is a terrible dilemma for them to be in. The bigger stations are making money but one of the problems has been the structure of commercial radio; too many radio stations were licensed, too many radio stations were licensed in areas that were never going to be successful or profitable and that caused problems. So there are structural difficulties; certainly the recession has not helped either. In summary, the commercial radio sector, as I said in my report last year, is in crisis. A number of them have closed and a number of them are continuing to do so.

Q308 ***Chairman:*** Do you expect further closures?
Mr Myers: I do.
Mr Goddard: I work as a media analyst specialising in the radio sector and I have been analysing data regarding the listening and the finances of the radio sector over the last 30 years. I am also a practitioner in the radio sector and have launched successful commercial radio stations in the UK, Europe and Asia. My feeling is that the commercial radio sector in the UK is undergoing quite severe structural changes and those have obviously been exacerbated by the recent economic crisis. There is a very direct relationship between the amount of listening that is attracted to commercial radio and the revenues that the commercial radio industry can make. When we look at the available industry data, we see that the number or hours listened to commercial radio actually peaked in 2001 and has been declining since then. The current rate of change for the number of hours listened to commercial radio is about minus 3.2 per cent per annum. What we are seeing is the industry going through a quite significant structural change where the reduction in listening is leading to a reduction in revenues of the industry. If we look at the revenues of the industry and we adjust those for the impact of inflation by using the Retail Price Index, we find that the revenues of the UK commercial radio industry peaked in 2000 and have been declining since then. Fundamentally that is the biggest issue underlying the commercial radio sector's problems.
Mr Rogers: My name is William Rogers. I am the Chief Executive of UKRD Group. We own and operate 15 local radio services across the country, ranging in size from the very smallest that serves an adult population of just in excess of 100,000, so right at the smaller end, up to two stations that serve an adult population of around half a million. It is very much anchored in that small to medium-sized commercial radio market. We are a profitable operation; 14 of our radio services are profitable, some highly so, and one is at a break-even position. I would share the views expressed by my colleagues on the panel about structural change, which is obviously having an impact, as is the recession, but I think there is a third component that I would add which has in my view consistently dogged the commercial radio industry, and that is the nature of the regulatory regime which confronts it. I think regulation of commercial radio has been inappropriate and heavy handed and has caused considerable damage to it over the last four to six years, and I do not think we should lose sight of that issue in consequence of the damage that that has done.

Q309 ***Chairman:*** Mr Rogers, you do not seem to agree from your company's experience with what Mr Myers was saying about an industry in crisis.
Mr Rogers: I think a lot of the industry is in crisis, so I share John's view on that, but I do believe that much of that is solvable with the right regulatory environment, so I would personally place the regulatory regime more at the heart of the issues the sector faces than some of the other issues that may come up this morning relating to digital elements.

Q310 ***Chairman:*** You talk about an industry facing problems, in crisis, as Mr Myers puts it, but one of the underlying reasons for digital switchover as I understand it, as has been put to us, is that it gives new opportunities for this industry. I am struggling to find out what those new opportunities are and how it is going to be built on a platform of an industry which is already in crisis.
Mr Rogers: My Lord Chairman, so am I, and I think that is really why the evidence we have submitted to your Committee in writing will explain why we believe that many of the arguments being presented in the Digital Economy Bill and broadly in respect of the DAB platform that is chosen are fundamentally flawed. There is no question that the proposal that is being made will potentially do great damage to the business which I am very proud to be associated with and, far from improving the opportunity for those businesses to grow and to prosper, I believe they are directly threatened as a consequence of the policies that are presently being followed.

Q311 ***Chairman:*** Is it the digital switchover strategy that you are talking about when you say "the policies"?
Mr Rogers: Yes, the digital switchover strategy is something that our business is very uncomfortable with. We think it is ill-considered, ill-thought through, poorly executed; the wrong platform has been chosen; it will restrict choice and damage radio stations at the smaller end and completely and radically change the nature of local commercial radio as to how it services its community compulsorily. To us, that is something that is not

necessary and indeed we do not believe there is any public demand for it.

Q312 ***Chairman:*** That is quite a menu of criticism. Do you agree with that from the point of view of UTV?
Mr Taunton: We do. I think that the issues that have been expressed by the industry as a whole have had more to do with the larger radio groups, and specifically Global Radio. We are in a position where our industry body is funded such that about two-thirds of its revenue comes from the two largest members of that group, being Global Radio and Bauer Radio, and that there are efficiencies that can be gained by moving to a single transmission platform going forward if you are operating large scale national or regional licences. In fact, as John Myers set out in his report to Lord Carter, the real issue for the industry at the moment is the struggling nature of local radio. The importance that local radio plays in delivering community messaging and information to those local groups should not be lost to any of us. I fear greatly that the provisions, as set out currently, not all of them but the bulk of them, in the Digital Economy Bill will serve to leave local radio in a backwater such that ultimately its viability will cease and we will move simply to delivering regional and national radio rather than that very important local platform that exists today.

Q313 ***Chairman:*** Mr Myers, do you agree with the other two?
Mr Myers: They make valid points and I think, as I set out in my report, one of the recommendations I made was that those stations broadcasting to a population of under 700,000 should have more certainty on their licence term. I made a recommendation that while heading towards a digital future, which I believe is what we should aim to do, the small licences still need to be protected. I fail to see why licences that serve local communities cannot have their licences extended say to 2020. It would not stop what I think are the very laudable aims of the Digital Economy Bill and what digital aims to be, but I do think that radio stations that are struggling to make a profit and that are struggling to survive do need surety of their licence term in order to attract and keep investors on board. I still struggle to see, from previous hearings, whether it is Ofcom, the regulator or whoever, why there is not a facility to allow those that are really struggling, those under 700,000, to have some surety going forward. I think that would be sensible. In terms of digital, I am not affiliated to any radio group. I am not part of RadioCentre and I am now effectively taking a helicopter view with 30 years' experience at the coalface of this sector. I can have the luxury of stepping back and taking a view. I think there is a good reason to move forward, digitally. I am not saying that the concerns of people around this particular table are not valid, but I take the view that these issues can be dealt with in due course. The whole world is going digital. To assume that radio remains in an analogue world I do not think is viable. In my report I specifically set out how I believe the transition to digital could happen and that was freedom for the local stations on co-location, freedom to network, but, in return, I also insisted that localness be preserved. I think the USP of a local radio station is what it delivers to the local community.

Q314 ***Chairman:*** Mr Goddard, what is your view?
Mr Goddard: I agree with John that the impact is felt most by the smallest local stations, and that is very much because of the economic structure of the industry. A radio station's costs are largely fixed costs rather than variable costs, which means that whether a station is broadcasting to a small town or a large city, the majority of its costs are the same, and those costs do not vary according to how many people listen, By the nature of that economic structure of the industry, when we come to a period of recession and when we come to a period of structural decline in the industry, it is the smaller stations which suffer the most, and that is why the proposals in John's report for Digital Britain suggesting the regulatory regime be changed, will undoubtedly help the smaller stations survive. I do believe that that is the biggest threat at the moment.

Q315 ***Lord King of Bridgwater:*** Mr Rogers, you have talked about the regulatory regime. Is what Mr Myers has now said the key point, the business about extending the length of a licence, or what are the particular biting points of the regulatory regime that you see as damaging?
Mr Rogers: I think commercial radio as a sector has, in my view, been inappropriately and over heavily regulated since 2003. The level of flexibility which radio operators have had to make judgments about what they need to do to manage their businesses in the best way to make them successful is far too restricted.

Q316 ***Lord King of Bridgwater:*** I am trying to get an illustration of what you mean by that.
Mr Rogers: The inability of a radio operator to determine the place from which their service should be delivered is a classic example; it is too heavily restricted in terms of where you can place your studios. The co-operation between operators is far too restricted because of the geographical restrictions that apply to that. The limitations on

licences: there is Ofcom's, as far as I can see, quite arbitrary decision to restrict the timeframe over which an FM licence can now operate, particularly in this climate when it is hard enough getting money from banks to invest in any business let alone commercial radio. To go to a bank with anything that remotely resembles a long-term proposal for finance to grow and invest in your business when Ofcom is restricting your licence to a five-year period makes life incredibly difficult commercially. Those are two examples which cause strategic issues.

Q317 ***Lord King of Bridgwater:*** In dealing with Ofcom, do you find any of them in Ofcom have had actually any practical working experience in local radio?
Mr Rogers: There is one executive with whom we have dealt who to my knowledge has experience of commercial radio. Others, as far as I am aware, are basically either from a BBC background or a radio authority background, the civil service environment.

Q318 ***Baroness McIntosh of Hudnall:*** Mr Myers, I am just struggling at the moment and it is probably because I do not understand entirely what you are saying. I understood that part of your anxiety about the commercial radio sector to be that there is substantial over-provision within it, and then you have aligned alongside that a number of other threats that it faces, but over-provision is certainly one of the things that you are concerned about. You have also just said to us that one of the great virtues of commercial radio is its ability to target very local audiences. It just feels to me as though there is a bit of a tension between what you are saying about the over-provision and what you are pointing to as the future being in local provision, which would presumably be to smaller and smaller segments, notwithstanding what you said about how much easier it would be for local radio to work if it were allowed to do so under slightly different regulatory constraints. Can you just explain to us a bit about what the issue is as far as over-provision is concerned and what you think should be done about that?
Mr Myers: I am happy to do so. I outlined certain things in the report that were important to the future of local radio. I decided that I would go and speak to everyone rather than just make an assumption. It is clear, and the evidence proves this, that a lot of radio stations were licensed because they were asked for. Ofcom had a policy that, if a radio station was asked for, they would try and find a frequency and they awarded it. A lot of those radio stations were put forward and were awarded with business plans that stood absolutely no chance whatsoever of success. They were also awarded sometimes with not enough power. They were awarded in areas where the competition was so great that the chance of them succeeding in the ambition that they set out in their programming plans was next to zero. So it is no surprise that a number of them have gone to the wall.

Q319 ***Baroness McIntosh of Hudnall:*** Could I stop you for one moment? Is it your view that that was a failure of the regulator, a failure properly to interrogate those business plans to see whether there was a licensable proposition there?
Mr Myers: I think, to be fair to the regulator, they awarded licences under the criteria that were set. I do not think it is a failure of the regulator to ask for people to apply for those licences. Rather, not enough due diligence was given to the business plan because it was clear to many that a lot of these radio stations had very little chance of succeeding, especially when a recession came along. You could say it is a failure of the regulator, but it is also a failure of the people who asked for them; it is also a failure, dare I say, of Members of Parliament who wrote in asking for a radio station for them. At the end of the day, the business plans that those radio stations were set on were doomed to failure. In the evidence I could find you would get from Ofcom that a licence was awarded and within the reason why that licence was awarded by the regulator they would often say: "We have awarded this licence to X. The reason they have been given this award is because of their programming plans. However, we remain unconvinced", or "we are sceptical about the business plan that they have actually put in place for this." So even they were aware, but I think that is just the way it was at the time and that the number of radio stations that have gone to the wall is no surprise. I say this clearly: of all the radio stations in the UK commercially, one-third are very successful—big city stations like Clyde, Metro, Key103, big city stations, very successful; one-third of them are on the brink of profitability and survival; and one-third of them will fail, for the reasons I have outlined. I do not think we should be in the business of protecting those that are always going to fail, but what the Bill does is allow the freedom of co-location, as William mentioned earlier, the freedom to operate their business in a much more effective manner and that will free up some of the costs that will allow them to invest back into content. The point that I would really like to underline within the report was: the success of local radio stations is determined by the local content they are going to invest in. When money is tight and when the business plan is failing, the first thing that is cut is the cost of content.

Q320 ***Baroness McIntosh of Hudnall:*** Can I just ask you one question which may be for Mr Goddard or Mr Rogers? Given that there was this explosion of new licences at a particular moment and that a number of them, as you put it, were doomed to fail, how does that sit with the evidence that Mr Goddard mentioned a moment ago that there was a peak in 2000 or 2001, depending on how you analyse the data, and that there has been a decline since then? It would be possible to argue, would it not, that that decline was inevitable, given the way in which the thing was set up in the first place?
Mr Myers: That is a good question and I will briefly answer that and possibly hand over to Grant. When these radio stations were licensed, the assumption was made that those radio stations would take audience away from the BBC. What it did was actually take away audience from the other existing commercial radio stations. So, the pie did not grow; you did not grow more audience. What happened was that commercial stations that come into that market took audience away from other existing commercial stations, in the main. There was only one station launched over the last 10 years, from the information that I could determine, and that was Real Radio in Wales, that actually took audience away from the BBC.

Q321 ***Lord Gordon of Strathblane:*** Sticking with Mr Myers for the moment, of the many advantages of digital radio, one of the ones that is constantly trumpeted is that it could give us many more stations. I take it you would not regard that as an advantage?
Mr Myers: Well, many more stations but not small stations. I think there are enough small stations now. The BBC share right now is a very healthy 54/55 per cent share; it fluctuates around that figure. One of the objectives of digital radio was that if you could provide digital stations, it gave you more choice, whether that was your jazz stations or your Planet Rock, or whatever. In a digital world, if you had a long enough licence term, you could come along with a business plan for those stations for the next 12 years that said it knew it was only on digital, but, if the world is going digital and the manufacturers are going and everyone is pointing in the right direction, there is wider choice to be had from groups coming up with new brands that are digital-only led. My point, and you have correctly got right to the nub of it, is that the small local radio stations are going to be developed through community stations, which I think has been a wonderful development, but, as for the days of growing more local stations, I think there are enough.

Q322 ***Lord Gordon of Strathblane:*** I turn to Mr Taunton and Mr Rogers. We are all aware that you have left RadioCentre over their policy of support for the Digital Economy Bill, and I think since we heard from them last week, we should, in fairness, hear why you thought it necessary to leave the trade association.
Mr Taunton: I was a director of RadioCentre as well as a member. We had spent a number of years, as you can imagine, looking at the issues around digital radio, DAB in particular. There have been significant investments by all of the major radio groups and yet we still had not got to a point where there was a critical mass of audience to support in particular digital-only radio stations, and we have seen a number of them come and go over a number of years. Unfortunately, we see ourselves today in a position where the vast bulk of listening to DAB is simply a simulcast of analogue transmission; only about four per cent of listening is to digital-only radio stations. Our concern was in particular for the future and viability of local radio stations. As I highlighted earlier, the funding arrangements of RadioCentre are such that its two largest members contribute two-thirds of the revenue to RadioCentre.

Q323 ***Lord Gordon of Strathblane:*** I am sure they would willingly pay less!
Mr Taunton: I am sure they would but not surprisingly it is very difficult for the executive of RadioCentre; whilst they do a tremendous job of representing the industry as a whole, it is very difficult when two-thirds of your revenue is coming from two sources to ignore the interests of those bodies. I tried to influence the agenda within RadioCentre and have a single industry voice so that we could represent commercial radio as a whole as part of the legislative proposals and so on. However, very late in the day it became apparent that the bulk of the provisions within the Bill that were being lobbied for by RadioCentre were in fact to the benefit of those larger groups, with the exception of course of section 34 in the Digital Economy Bill, which I think is very important; it gives some regulatory relaxation to local radio. As a result, we thought the only way that we could address publicly the interests of those local radio stations was for us to resign.

Q324 ***Lord Gordon of Strathblane:*** Although there is a difference of opinion, I am anxious to make sure that we do not overestimate it. You do believe that radio's future is predominantly digital, I understand?

Mr Taunton: I believe that digital radio has a big part to play in the future of radio. I would see it as another transmission platform. If I look at our own services, if I look at talkSPORT specifically, we broadcast on medium wave; we broadcast on satellite through Sky; we broadcast on cable, on Freeview; and we broadcast on DAB. Each one of those delivers an additional audience to us. We will make a decision based, in the main, on pure economics as to how much of that audience is delivered and how much we pay for the transmission on those. I happen to believe that both medium wave and FM are very viable broadcast platforms and I do not necessarily understand the logic of seeking to turn off or to switch over the bulk of services from medium wave and FM. I think that digital can co-exist with those for our listeners. Many of our listeners get a better listening experience on DAB but medium wave brings with it the benefits of being essentially available throughout the country.

Q325 ***Lord Gordon of Strathblane:*** Leaving medium wave on the side, FM, I understand, under the Bill will co-exist with digital, so it will not be switched off.
Mr Taunton: It will but it will create a two-tier system. If I can put it in line with the television switchover, for instance, it is like keeping analogue television services whilst moving the vast bulk of services on to digital television and expecting consumers to come out of Sky or out of their digital service and back to an analogue signal to listen to it. If local radio is already suffering, as John rightly points out, through the competition amongst other commercial radio, by creating a two-tier system you leave local radio behind to a large extent, and for the vast bulk of consumers the benefits are not as significant as perhaps some of us are led to believe. The average consumer in the UK has 14 radio services available to them currently.

Q326 ***Lord Gordon of Strathblane:*** If the benefits are not immediately apparent, how is it a two-tier system? If FM is every bit as good at DAB and there are stations offering a good service, how is it going to be disadvantaged by remaining on FM rather than switching to digital?
Mr Taunton: Because it is on a completely different band, so all national and large-scale regional licences would not be available on FM under the proposals and people would get used then to listening through a DAB service, which lists all of the radio services in an alphabetical manner on a display, and you would have to come out of that mode into FM or AM in order to listen to services going forward.

Q327 ***Baroness Eccles of Moulton:*** Could I just continue that line of questioning for a minute? The solution to the problem you pose presumably is not to continue with the digital plan?
Mr Taunton: We have significant concerns about the proposals that exist at the moment. There are a number of avenues that we do not believe have been fully investigated at this stage. We do not believe that there is a significant benefit in rushing through the legislation and tying ourselves to a DAB platform that gives a digital future to some radio stations while leaving approximately 100 plus, 120, commercial services on AM and FM when other technologies, such as DAB+, have not been fully investigated. My understanding, and I am sure Grant will give you his view, is that DAB+ would enable, in the main, all of those services to be carried on digital radio and in that way we would create a single tier; we would get back to a single transmission platform; and remove that dual transmission cost, which I accept is a concern particularly for the larger groups.

Q328 ***Baroness Eccles of Moulton:*** We have not really gone very deeply yet into DAB+ but are you saying that DAB+ as opposed to DAB could replace FM?
Mr Taunton: I think it certainly has a much stronger chance of doing that than does DAB. In broad terms, it has the ability to carry three times as many services as are currently available on DAB. We operate services, for instance an FM radio service in Bolton, Tower FM, and we operate one in Blackpool, Radio Wave, which serve their communities very well, but there is not capacity on the DAB multiplexes to put those services on. We would like to be on digital going forward but under the proposals we would be left behind in FM. In all likelihood, our audience would be eroded to the point that those services may not be viable going forward. DAB+ would allow them to go on and the costs to the multiplex operator do not increase at all.

Q329 ***Baroness Eccles of Moulton:*** Could I just ask you one very quick question on operating expenditure and then I have a question for Mr Goddard and Mr Myers. It is a question about the proportion of your operating expenditure that goes on transmission costs at the moment and how this would be increased if you were transmitting both digital and FM at the same time.
Mr Taunton: Currently we spend within our organisation about £3.5 million on transmission on a total turnover just short of £50 million. That includes digital and analogue, dual transmission if you like. In broad terms, about 50 per cent of that

transmission cost is on digital and 50 per cent is on analogue.

Q330 ***Baroness Eccles of Moulton:*** Could I ask Mr Goddard and Mr Myers: have many radio stations actually withdrawn from digital broadcasting, having already been carrying it out?
Mr Goddard: Indeed they have; you are correct. When the DAB platform was launched by the commercial radio sector in 1999, there was a whole bouquet of channels and many of those have closed. I have a list here. To give you examples, the radio version of ITN News on DAB opened in 2000 and closed in 2002; Talk Money operated by Bloomberg opened in 2000 and closed in 2003; The Storm opened in 2000 and closed in 2006; Prime Time Radio, which was associated with the Saga organisation, opened in 2000 and closed in 2006; 3C, a country music station, opened in 2000 and closed in 2007; Capital Disney opened in 2002 and closed in 2007. I have a list here of about 14 stations.

Q331 ***Baroness Eccles of Moulton:*** Are those stations that opened as FM, embraced digital as well and then closed completely or stopped their digital?
Mr Goddard: No, these are stations that only launched on the digital platform. They are digital-only stations.

Q332 ***Baroness Eccles of Moulton:*** They were digital-only stations and then they failed?
Mr Goddard: Yes. The problem, particularly with the DAB platform but with digital platforms generally, is that those stations did not attract a sufficiently large audience to interest potential advertisers. Radio advertisers are interested in reaching a mass audience; radio is a mass medium. Generally, radio is not used to reach small niche audiences. The problem with these digital stations is that they simply did not have the traction to be able to deliver huge numbers of listeners to those advertisers, and so the revenues at those stations have been relatively small and simply have not covered the costs. There is not one single digital-only station operating in the UK that has yet managed to generate an operating profit.

Q333 ***Baroness Eccles of Moulton:*** Mr Myers, do you have comments you want to make on that?
Mr Myers: Yes. Grant is correct on those numbers. I think there are reasons for that. I remember a decade ago we all got behind in the first surge of digital radio. Many of the companies signed up for digital transmissions in the belief that it would be further on now than it is today. Also, a lot of these radio stations that were digital only were actually owned by larger groups that were running commercial stations. As the costs and the recession began to bite, they had to decide if they eat today or plan for tomorrow. They made what I think was a difficult choice, which was that some of them had to come off so that they could continue to invest in the content that was important to keep their existing local stations going. The question that you raised earlier is obviously interesting about not continuing with the digital plan. Taking a helicopter view, I think it would be a disaster for commercial radio not to continue with the digital plan. As I understand it, we have an enabling Bill that allows the Government or the regulator at a time, based on certain criteria, to make a decision, and that decision will be consumer-led. One of the big issues I state in my report going back—and it should not surprise me but it did—was the fact that the regulation that was in place was fine for the first few years but when the industry as a whole really moved quickly, the legislation was not there to allow Ofcom to adapt. While many people criticised Ofcom—and I admit I have been one of those people in the past who have criticised them—I cannot criticise them completely. They were hampered by the handcuffs on legislation. Going forward, this Bill, as I understand it, is an enabling Bill that will allow the government of the day and the regulator, along with a whole raft of things that have to be in line before people switch to digital, the freedom to make the right decision at that time. I think that is of paramount importance because, if history has taught us anything over the last ten years, it is not to overprescribe in a Bill and to give the regulator or the government of the time the flexibility to keep radio up to the speed of change. Going forward, the Digital Economy Bill is critical to the future of radio.

Q334 ***Chairman:*** I want to bring in Lady Howe, but from the public's point of view, do they not want a certain amount of certainty as well in this process? It is all very well talking about preparing for the future, and all that, but I think the public is in a bit of a fog about what the plans are.
Mr Myers: That is a good point but I think going forward, and from listening to previous discussions the target date or the aspiration date is 2015, this Bill enables people to make a decision based on the best information available at that time. I cannot believe that the Government or the regulator will do anything that is not going to be compatible with the demands of the consumer at that particular moment. I think the consumer is greatly important and that going forward it will be demand-led but there is a great deal to do to ensure that the consumer understands what digital provides. The Bill that is being discussed now and that will

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hopefully go through will allow people to make better informed and quick decisions.

Q335 ***Chairman:*** Does the consumer not want a bit of guidance at this moment on what kind of radio to buy and things of that sort?
Mr Myers: In preparing for a digital world, you can have three engineers in a room who are on DRM, DAB and DAB+ and they will all disagree with each other.

Q336 ***Chairman:*** That is really reassuring!
Mr Myers: That is the nature of engineers. My own view is that you have to make a decision about what platform you are going to be on, whether it is DAB or DAB+. The decision and the investment to date has said DAB.

Q337 ***Baroness Howe of Idlicote:*** The more you delve into this whole area, the more complex it actually becomes. I know we are going to come on to what the difference is, if any, at a later stage and to what extent, if the television switchover is going to happen, which clearly it is, that is anyhow going to affect what is happening to radio. I would like to go back again to Mr Goddard's point about thinking that really it is never going to happen. Are you still of that view, and if you already have switchover of other viewing genres, as it were, in such a way that obviously people are used to increasing high quality, is that not going to affect the whole situation? There is another question I want to ask about FM. I think Lord King put his finger, quite early on, on the two things that are important, which perhaps you should be pressing for as the Digital Economy Bill goes forward, and that is FM to stay, and I am asking you this question: what is the value of FM other than to you? Is there any way the Treasury, say, is going to lay its paws on it and sell it off at a profit? If it is not, if it is going to stay and it could stay and clearly it is serving a purpose, then the second path is the path of: let it be there until it is no longer needed, at least until 2020, as I think somebody said. Can you just deal with those points?
Mr Goddard: On the first point, I think there are significant differences between the switchover of television to digital and the switchover of radio. From the consumer's point of view, for a long time we only had either four or in some areas five TV channels available from analogue. That really did not provide the kind of consumer choice that people were after. We saw the rise of Sky and its subscription services in the 1980s when people were prepared to pay to receive additional channels, particularly those people with interests in sport or films or whatever. There was obvious dissatisfaction with the existing choice offered by a limited number of terrestrial televisions stations on analogue, and people were prepared to pay for the extra services. When you look at the radio market, it is completely different. The average number of stations available across the UK is much higher than ever we have had in television, and the Ofcom research demonstrates that. In the bigger cities like London the choice has been astronomical; even on analogue there are more than 30 stations available in London. That kind of choice has simply never been available in television free to the consumer. The other point is that consumer expectation is such that they would not pay for additional radio services, so there is not anything like Sky operating an equivalent subscription service in radio. People expect radio to be delivered to them free at the point of use, or they think it is free; I realise there is a licence fee payment and there are commercials by commercial radio but the consumer sees it as being free. The Ofcom research is very interesting when you look at it. There is so little dissatisfaction with the existing radio services on offer. People think that the existing radio services to which they have access fulfil their needs. That creates a problem of the radio industry in trying to persuade people to spend money on purchasing a DAB radio to have access to more stations because, unlike television, there is not that dissatisfaction; there is not a huge demand for additional channels or extra choice. The job of trying to persuade people that it is worth investing in relatively expensive hardware for DAB compared to a cheap analogue radio is incredibly challenging for the radio industry. That is a challenge that the radio industry has not met. My feeling is that when the commercial radio industry launched the DAB platform their mantra very much was: build it and they will come. The commercial radio industry expected to build the DAB infrastructure, put content on it, and they expected the consumer automatically to gravitate towards that platform. There was no massive marketing campaign; there was no huge expenditure to attract people to that platform, and that was a fundamental commercial error made by the commercial radio industry when it launched the DAB platform in 1999. Throughout the early years of DAB, my feeling is that the commercial radio industry still wanted to believe that it was just around the corner, that the big audiences would eventually come to the digital platform, that you just had to hang on and wait and they would come but they never actually did come.

Q338 ***Baroness Howe of Idlicote:*** I would like to know what the others think of that view and whether it is the same, but you have not answered my question about FM, nor about these two crucial

points: first of all, is there an additional value to FM; if not, why not let it just stay and get the Government, as it were, to underpin that if we can?
Mr Goddard: I understand the second part of the question. Ofcom have made it very clear, and I have seen Mr Ed Richards explain, that there is no value to the Treasury of the FM waveband. Unlike the analogue television spectrum, which is going to be re-used for other things, there is no other purpose for FM; it is ideally suited for radio and so there is no potential benefit to the Treasury by re-purposing that for another transmission system,

Q339 ***Baroness Howe of Idlicote:*** What about the rest of you? Are your views similar on this?
Mr Taunton: I completely agree—

Q340 ***Chairman:*** If you completely agree, then that is fine, because we are short of time.
Mr Taunton: My Lord Chairman, may I just make one brief point and that is that I have heard mentioned in this Committee in your previous hearings of consumer-led activity to move to digital but there just is not any evidence to suggest that. To take Grant's point, in Ofcom's own research, only three per cent of people are dissatisfied with their choice of radio stations at the moment; they have an average of 14 stations available to them, and with 25 million households and an average of four radios in each of those households, and add to that cars, we get to about 120 million radios that would need to be upgraded through this. I fail to see how consumers want to move to digital when in fact medium wave and FM deliver a very good product for them as it stands at the minute.

Q341 ***Lord Gordon of Strathblane:*** It seems to me that the fundamental point is that if we accept that running two transmission systems is simply not viable, and I think everyone agrees about that, is for example Mr Goddard suggesting that we simply abandon the digital experiment entirely? If not, how are you going to kick start it, other than the way the Government did with the Digital Economy Bill?
Mr Goddard: My feeling is that there are certain segments of the radio listening audience for whom the additional services offered by DAB are quite valuable. We have seen a number of stations, be they targeting specific ethnic minorities or people interested in religious programming or stations such as the Traffic Information Service, and for all of those there is no availability of spectrum on AM or FM., and so DAB does potentially have the ability to provide content to people who are never going to hear that content on AM and FM on analogue. In that sense, there is a purpose for it. Is there a commercial model for DAB? I would argue that there is not. Increasingly the stations that are occupying the DAB spectrum are either Government-funded, like the Traffic Radio service or the British Forces Broadcasting Service, or they are funded by users, such as the Christian and religious radio services, or they have such a narrow target audience, such as the ethnic minority stations, that they manage to fund that in quite a different way from the normal commercial radio model.

Q342 ***Chairman:*** What proportion of what you refer to as the cheap analogue radios are now being sold, do you think? Are there any figures on that?
Mr Taunton: They outnumber DAB sales about three to one.

Q343 ***Chairman:*** Even now?
Mr Taunton: Even now, and in fact DAB sales, according to Digital Radio UK's own figures, went backwards last year; in 2009, the sales were less than they were in 2008.

Q344 ***Baroness Bonham-Carter of Yarnbury:*** I think Mr Goddard has already answered my question in great detail. May I come back to something that Mr Taunton said about DAB+. Unless I have misunderstood you, you were saying that one of the benefits of DAB+ was more stations, but everybody has been saying there are too many stations.
Mr Taunton: Our difficulty with the proposals in the Digital Economy Bill is that there will be a two-tier system, and so a lot of stations will stay on FM because there is not currently the capacity to take those stations on to DAB. In a DAB+ world, that capacity would be trebled and those stations in the main would be able to be carried on the platform. That is one of the reasons. We are not suggesting DAB+ is the absolute answer; we simply do not feel that it has been investigated fully and given a chance to see whether that would resolve those issues.

Q345 ***Baroness Bonham-Carter of Yarnbury:*** If we went to DAB+ then you would not have the concerns about FM that you have all been expressing?
Mr Taunton: No, I do not believe I would. As long as there was a single tier for all commercial radio, that would resolve the bulk of the concerns that we have.

Q346 ***Baroness McIntosh of Hudnall:*** In the light of what Lady Bonham-Carter has just put, is it your collective view that the solution to all of this is to move to DAB+? Can you just answer yes or no on that, one by one?

Mr Taunton: I do not think anyone has investigated it fully but on balance it would seem to be a better solution certainly than the current proposals on DAB.
Mr Myers: Can I say "no".

Q347 ***Chairman:*** We will allow you a few words.
Mr Myers: I say "no" because, as I said earlier, this is a huge technical issue. Greater minds than mine will determine what platform we use. There are arguments for DAB+ and there are arguments for DAB. As an industry, those of us around this table have all got behind DAB over the years. To now say let us have something else. We have made the investment and we have made the decision. The Digital Economy Bill is now being discussed. I believe that the future of commercial radio lies with that. We have made a decision; that may change but in the future, through the Secretary of State or the regulator or whoever, when we believe the consumer proposition is good, a decision will be made. I think you have to trust that people will make the right decision.
Mr Goddard: I say "no" as well, briefly for two reasons. One reason is that I do not think it changes the economic model and the challenge of the economic model for digital radio; I think that remains the same, whether it is DAB or DAB+. The second reason is that over ten years consumers have invested substantial amounts of money in DAB radios, which are not compatible with DAB+. Almost all the radios that have been sold in the UK cannot receive DAB+. I do not think it is fair on the consumer suddenly to adopt a new codec for the broadcast system which means that those consumers have to throw away their radios.

Q348 ***Chairman:*** This does sound a bit of a muddle, does it not?
Mr Rogers: That is probably because it is. First, may I say that fundamentally I do agree with Grant Goddard's analysis, in the main. I think I am with him in that we should not have got ourselves here in the first place. I do suspect that ultimately this model will not work. Having said that, if we are going down this road, then I share Scott's view on DAB+ and therefore it is a "yes" from me. We should go to DAB+ because I think if you are going to migrate a radio industry into the future, then you should give the entire industry the same opportunity to migrate.

Q349 ***Lord Maxton:*** I have to say that if I was buying a new radio at the moment, and I am looking at it, I would buy a DAB, FM, with internet and with an iPod station on it, to cover all the various things. This is a very confusing area. There are two technologies which are happening which we have not referred to at the moment: one is the future, in a sense, which is internet radio; but the other one is here now. Most of your commercial radio stations are music stations. People tune in to them to listen to your music. Of course they get the local news and the local advertising but they are listening to music. The iPod and the MP3 player basically have not done away with that market but they must have influenced that market very considerably, have they not?
Mr Rogers: I think they have had an impact but I have to say, in terms of our own figures, no, our radio stations are delivering incredibly strong audiences and in many of our local marketplaces are number one, not just commercially but against the BBC, local, commercial alternative. I would just add one point here on making a judgment about where the consumer is going to go. The first part of that is: let us remember that we have been promoting DAB for 11 years and still only one in five people listening to radio listen to it via DAB. Secondly, when it comes to tracking the consumer, I think I would rather back Apple and Nokia rather than the DCMS and Ofcom in their judgment, and they are putting FM chips in all of their mobile phone devices.

Q350 ***Lord Maxton:*** One of the reasons why that DAB share is small of course is because at the moment it is almost excluded from the car market. Once you move to the car market, presumably that would go up very considerably because DAB does have advantages in the car for keeping station rather than either of the present on long journeys.
Mr Taunton: It is still relatively low, if I might add. When we talk about digital listening, and 21 per cent of listening currently is digital, of that DAB is only 13 per cent; Sky, Freeview and others account for a large proportion of that. Even removing the fact that cars account for about 20 per cent of listening, to have only 13 per cent of listening in total to DAB still to me represents a failure of that platform.

Q351 ***Bishop of Manchester:*** In terms of local radio, what I have picked up this morning are themes of marginalisation, co-location, co-existence and if I were a small, local, community radio broadcaster I might be going away from this morning feeling probably a little bit depressed. In the first place, I think I will have picked up the marginalisation message with the possibilities of deregulation, mergers and so on. I am also hearing as a very small broadcaster that frankly there are already too many people broadcasting and there is going to be no place for me in the future. That is what I picked up from Mr Myers. In terms of co-location, I think I would be getting really rather worried that the whole thing moving up on to a wider level is going to cause some undercutting of competition at the local level. In terms of co-existence between bigger national, regional, commercial radio stations, co-existing with the small, local and community radio stations, I think I would be beginning to think, "Well, dream on." Given that I may be one of the small, local, community radio broadcasters, what cheer have you for me at the end of this meeting?

Mr Myers: I think community radio has a great future. The band will be freed up. They may even have some small increases of power to allow them to serve their communities. To go back to the point I made earlier on, if we just accept what has happened, too many are awarded and the one-third that can survive will survive because the freedom that the new Bill will offer them will allow them to be much better and run more effectively from whichever location the owners of those businesses believe they should be run. Bear in mind that those local stations will only be successful if they continue to provide local output. Where that comes from I think should be left to the radio owners. The USP of a local station is its output. In the past, the way that Ofcom have regulated this and the way that legislation has said is that you must be from that area. Once the Bill goes through, the freedom that that gives local radio stations to re-engineer their cost base will allow them I think greater surety of how much local content to invest back in and those stations will become better for it. You have to realise that the BBC, on the last figures I had, spend over £400 million on content versus the total cost of just £70 million on commercial radio. It is no wonder that if you are investing that much money into content you are going to get a bigger share. If commercial radio can position itself to provide better content and engineer its cost base better, commercial radio will be better for it.

Q352 ***Bishop of Manchester:*** Could I have from you specific examples, firstly, from your point of view, of the ideal kind of small, local radio station and, secondly, the ideal kind of community station that is going to best benefit from the proposals that are before us?

Mr Myers: There are plenty of examples right now of community radio stations that are hugely successful in their markets. The Community Radio Association could demonstrate loads of those. Michael Betton at a previous meeting made it very clear that one of his problems was the cost of dual transmission. He has a number of small stations that are very sound in their communities but are on the verge of profitability or not profitable. If he can bring some of those stations into one base and run those more effectively, he can provide the savings he has provided from not having leases, not having buildings but running from one centre and that will allow him to invest in the content. The winner is the consumer.

Q353 ***Lord Gordon of Strathblane:*** Mr Myers, granted that there are some stations that are unviable at the moment, would you favour a relaxation of ownership rules that allowed a successful station in the same area to own the unsuccessful ones and transform the output, so that they were all different, and amortise the costs of doing local news, et cetera, over several stations?

Mr Myers: My report favoured that. It was outlined in my report that there should be deregulation as far as that is concerned.

Chairman: We could have gone on all morning with you. It has been a very interesting session. As a result of this, there may be points that we wish to follow up and perhaps we could do that through our people here. Thank you very much for coming. It has been a very interesting one-hour session that we have had with you.

Supplementary memorandum by Mr Grant Goddard

I wanted to draw your attention to a blog entry I posted yesterday concerning previous statistical evidence presented to the Committee on the issue of digital radio receiver sales. I have copied the text below (full text & graph available at:
http://grantgoddardradioblog.blogspot.com/2010/03/dab-radio-receiver-sales-never-let.html).

. . . .
Wednesday, 3 March 2010

DAB radio receiver sales: never let facts get in the way of a big number

A newsletter arrived in my in-box today from Digital Radio UK, the new organisation charged with making DAB radio a success. It told me some startling news:

"By the end of 2009, when buying a radio, more than three quarters of people chose a digital one."

And, just in case I did not believe this fact, immediately beneath, it told me the same thing again:

"New sales figures reveal that, when buying a radio, more than 75% of people choose a digital one."

I did not believe it. All the previous data from the radio industry had shown that DAB radios are around 22% of total radio sales, as demonstrated in the graph below.

A year ago, the government's Digital Radio Working Group had set an "aspirational" target for DAB radios to be 50% of total radios sold by the beginning of 2011. As this graph clearly shows, the odds of successfully coming anywhere close to that target are zero.

Maybe something revolutionary had happened in the consumer market for the proportion of DAB radios sold to have suddenly surged from 22% in Q1 of 2009 to 75% by year-end. It was extremely puzzling.

Then I read an extraordinary letter that Ford Ennals, chief executive of Digital Radio UK, had written to the House of Lords Select Committee on Communications on 15 February 2010. It said in part:

"I thought [.] that it might be useful if I wrote with the very latest radio sales data. Encouragingly, it shows that, during 2009, consumers increasingly chose digital sets over analogue ones.

I thought it clearest to present the data in a simple table, which is attached, but it may be useful if I explain a couple of the terms used.

Where the data refers to "kitchen radios" it means the kind of sets that you and I would call "a radio" ie a set whose sole function is to listen to the radio.

Where it refers to "all radios", these figures include those pieces of electrical equipment which happen to have a radio chip in them (eg a hi-fi where the main reason for purchase may be to listen to CDs or an MP3 player where listening to downloaded music is the primary function).

As you can see, by Christmas 2009, 76% of people buying "a radio" chose a digital one. . . [emphasis added]"

Aha! Now I think I understand. The only way in which it is possible to contrive that more than three quarters of radios sold are digital radios is to arbitrarily create a completely new definition of "radio". In this brave new world, only a "kitchen radio" will now be called a "radio". (The truth is: 76% of people who purchased a kitchen radio during December 2009 bought a digital radio, though the proportion for the whole of 2009 was 63%.) Every other type of radio is no longer defined as a radio. This new definition of "radio" would completely exclude:

— Micro systems
— Clock radios
— Tuner separates
— Handhelds
— Boomboxes
— In-car radios
— Audiovisual systems
— Home cinemas
— Docking stations
— Dect phones [?]
— Mobile phones
— LCD TVs
— Record players

This seems like a long list of products which, if they also happen to include a radio, will no longer be defined as having a "radio". How can a "clock radio" not be a radio? How can a "tuner" not be a radio? I know this long list to be a comprehensive definition of "radio" because it was the very definition of "radio" used by the Digital Radio Development Bureau, the forerunner to Digital Radio UK, in its published data. Of course, that was last year. In 2010, "radio" seems now to have a whole new definition.

What can I say? However desperate you might be to try and make DAB radio a success, how is it justifiable to deliberately mis-state data so outrageously in print? And to Parliament?

. . . .

4 March 2010

Supplementary letter from UTV Media

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

Data on Radios in Circulation

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

- RAJAR indicates that there are 90 million analogue radios in homes,[21] whilst the SMMT indicates that there are around 31 million in private and commercial vehicles.[22] This produces a total of 121 million, which still excludes workplaces, shops and public places.
- Separate Ofcom data cited by RadioCentre and Digital Radio UK indicates that there are 51.9 million analogue radios in use in households at least once a month, plus a further 22.5 analogue radios in cars—giving a total of 74.4 million analogue radios in regular use in cars and households. This excludes commercial vehicles, workplaces, shops and public places—indicating around 90 million analogue radios in regular use across the UK

Furthermore, DAB receiver sales have gone into reverse:

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

The benefits of introducing DAB+

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

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

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

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

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

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

[21] See Ipsos Mori, "The Future of Radio", January 2010, http://www.ipsos-mori.com/DownloadPublication/1334_MediaCT_thoughtpiece_The_future_of_radio_Jan19_WEB.pdf

[22] See http://www.smmt.co.uk/articles/article.cfm?articleid=21185

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

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

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

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

What the Government should do now:

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

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

- Smaller stations will not wish to move to digital until such time as FM listening has dwindled and digital has become a preferable platform.
- Furthermore, no one is looking to force all stations to move off FM against their will. Many may be happy to remain on FM. The problem is that many stations such as our own Tower FM in Bolton and Bury simply do not have a digital option.
- The longer it is before the Government makes an announcement on DAB+, the more time elapses without consumers understanding that they should be buying DAB+ activated sets

The benefits of broadcaster ownership of multiplexes

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

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

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

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

- It gives the industry control over its own distribution, rather than decisions being made by a third party with no investment in programming.
- It aligns objectives between multiplex operators and service providers in matters such as coverage and signal strength.
- It gives commercial radio equality with the BBC in shaping the digital transmission network through ownership of multiplexes
- Broadcaster ownership of multiplexes will allow us to solve what is wrong with the digital radio platform. Because we are ourselves local radio operators, we instinctively understand the need to:

  - — Make digital cheaper for service providers
  - — Ensure that there is capacity for every existing station
  - — Ensure that multiplexes cover the right areas

- — It is this which has led us to acknowledge the limitations of DAB technology, which requires more transmitters to reach a given area than FM.
- — DAB+ is three times more efficient, offering a means for these problems to be resolved.

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

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

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

10 February 2010

Memorandum by BBC Management

Structure of this Response

This response is divided into three sections:

- — Digital switchover of television.
- — Digital switchover of radio.
- — Digital switchover help scheme.

DIGITAL SWITCHOVER OF TELEVISION

Introduction

1. Digital switchover is the project of migrating all of the UK's television viewers from existing analogue services to digital television. The programme has five primary roles for the BBC:

(i) part-funding and directing the co-ordination work of Digital UK, the body set up by the broadcasters to run the switchover programme;

(ii) fully funding the marketing and communications activities undertaken by Digital UK;

(iii) fully funding and running an assistance scheme for those most vulnerable in society who might otherwise have difficulties with the switchover (the Digital Switchover Help Scheme);

(iv) funding and managing the activities of Arqiva, Siemens, and other suppliers who are together building the distribution and transmission networks which are required to deliver digital television to viewers; and

(v) providing a range of attractive content and programming across a mix of digital services and platforms.

2. The BBC has been involved with work to do with the planning of digital switchover for more than a decade. However, the programme was formalised under the Communications Act 2003 (which set out the targets for Ofcom and the commercial broadcasters), the establishment of Digital UK by the broadcasters in 2005, and the grant of the 2006 Charter and Agreement to the BBC. Today, the BBC's specific obligations as regards digital switchover are set out in clauses 34 to 41 of the Agreement. The BBC has other, broadly comparable obligations in respect of Multiplex B[23] set out in the Broadcasting Act licence held for that multiplex.

3. The technical activities of digital switchover are organised into a four-year consumer-facing programme running from the end of 2008 until the end of 2012. Switchover occurs regionally during this period, with the smallest building block being a "transmitter group", that is, a main transmitting station and its associated relay transmitters. There are more than 70 transmitter groups in the programme, with the smallest in the Scottish highlands serving around 20,000 people and the largest, Greater London and parts of the Home Counties, serving nearly 12 million people.

4. Switchover at each transmitter group happens in two stages: the first stage, dubbed "DSO1", being the closure of the analogue transmission of BBC Two and the opening of the BBC's high-power Multiplex 1; the second ("DSO2") being the closure of the remaining analogue services and the opening of the other high-power digital services. To date, DSO1 and DSO2 have been generally four weeks apart; although in 2010, this gap is being shortened to two weeks in most cases, in order to take maximum advantage of the momentum created by DSO1 in each area.[24]

Switchover so Far

5. As part of its commitment to support digital switchover, the BBC launched a suite of digital television services, ranging from those targeted at children and young audiences (CBeebies, CBBC, BBC Three) to those focused on arts and culture (BBC Four) and news (BBC News channel and BBC Parliament). These services were designed to demonstrate the benefits of digital through a wider range of choice and to feature predominantly UK-produced programmes, something that the commercial sector found it hard to do on that platform. In the period since their launch, many people cited the existence of these channels as the main reason why they adopted digital television.

6. By the end of 2009, just under one fifth of the population of the UK had been through switchover and lived in a digital-only area. Of those, about half are in the North West/Granada region and switched over in November and December 2009. The state of the network as at the end of the year is as in the table below:

	Transmitting stations	*Households (m)*	*UK population (%)*
Switchover completed	370	4.7	18.2%
Remaining (switchover not started)	788	21.8	81.8%

7. The result of this is that there is now no analogue television in the south-west of England, the Scottish borders, the north-west of England, and much of Wales. In 2010, switchover will complete in the remainder of Wales as well as in the West region and the Channel Islands, and take in the north of Scotland, including the Northern and Western Isles.

8. Ahead of switchover in each region, there is a two to three year engineering project which is upgrading the broadcast transmission infrastructure in order to make it fit for high-power digital broadcasting. This upgrade includes the antenna systems at the tops of tall structures (typically two to three hundred metres above the ground), as well as new transmitter, air-conditioning, and power plant in buildings below. In terms of the "air-works" (ie those at height), the programme is broadly speaking on track having completed most of the works required for this year's switchover, and is now concentrating on works for switchover in 2011 and 2012. At the ground level, work is carried out much closer to switchover and similarly remains on schedule.

[23] Digital terrestrial television is organised into six "multiplexes", or bundles of services broadcast as a single transmission. The BBC has two multiplexes: Multiplex 1, which was gifted to the BBC by Government, and Multiplex B, which the BBC acquired through a competitive process and which is licensed by Ofcom. After switchover in each area, Multiplex 1 carries the BBC's standard definition services and Multiplex B will carry public service high definition services (including BBC HD).

[24] In one instance—the Channel Islands—switchover of all services will occur on the same day (17 November 2010).

9. Switchover is the most challenging broadcast engineering project ever undertaken in the UK and one of the biggest civil engineering projects in the country. The BBC's opinion is that, despite its scale and complexity as a programme, switchover is progressing smoothly and in line with expectations.

10. This notwithstanding, switchover necessarily involves some disruption for every viewer as the process affects their area, and the BBC is aware of some issues which have caused some additional problems for viewers in certain areas. The biggest of these have been the process of re-tuning (or re-scanning) receivers; and the situation around regional overlaps.

11. Those viewers who have converted to Freeview prior to switchover are required to re-tune their receiver both at DSO1 and DSO2 in order to acquire the high-power digital services. Re-tuning should be a straightforward exercise but the term used to describe and the method of performing the process varies hugely between receiver manufacturers. As the result of a nationwide re-tune required in September 2009, which affected viewers of Freeview both pre- and post-switchover, Digital UK has assembled re-tuning guides for more than 300 different devices. These preparations and the knowledge gained from this experience on the part of Digital UK, and a growing familiarity of viewers with their devices, mean that the management of re-tuning has now become a routine task and one which no longer presents a significant risk to the programme.

12. Overlaps in regionality occur where viewers are served by two or more transmitters and are existing issue in the analogue network. Indeed, the problem translates across to the digital network; however, the highly automated tuning of digital receivers (and the well-intentioned lack of control given to the user) can cause more confusion for digital viewers. The behaviour of set-top boxes when presented with two services both signalled as having requiring the same channel number (eg BBC ONE Wales and BBC ONE North West) varies by manufacturer. Most set-top boxes will put one service at the right channel number and assign the other a number above 800 but there is nothing practically which can be done to ensure that all of the set-top boxes which are already in the market behave in a predictable way. This has been the main driver of audience contacts following the switchover in the North West region. Digital UK are now well briefed on the cause of the issue and the potential tactics which can be employed by viewers to resolve it, and are managing the communications process accordingly.

13. The BBC's approach in these instances is to support Digital UK's role as the primary contact for the public for matters to do with switchover by letting it lead the communications and public relations activities. This seeks to reduce viewer confusion by ensuring that there is a single, independent, focussed message about switchover. The BBC has covered switchover as a news item in its regional news programmes and on BBC Radio (in particular on BBC Local Radio), with a particular attention to the experiences of viewers as switchover comes to their area.

Freeview HD

14. In the spring of 2008, Ofcom, the Government, and the BBC Trust set out a plan to introduce public service high definition (HD) services as part of Freeview so that they would, at the end of the switchover programme, reach 98.5% of the UK population. The upgrade to HD required much more capacity than could be delivered by the existing Freeview multiplexes, and hence a change in the transmission technology to an as-then unratified standard called DVB-T2.[25] The regulators identified that the BBC's Multiplex B could be cleared of the standard definition services it was then carrying and so upgraded to create room for two HD services in the short term (plus one service from the BBC), and three in the medium term. By Order in summer 2008, Ofcom was given the power to allocate these slots to qualifying public service broadcasters and following a competition it awarded the first two to ITV and Channel 4/S4C at the end of 2008.

15. Since the regulatory framework was put in place, the BBC has had to negotiate carriage arrangements with the other public service broadcasters and then amendments to its infrastructure contracts with Arqiva and Siemens. The broadcast infrastructure was in place by the middle of November 2009 and thus the technical launch of HD services took place on 2 December 2009 with the completion of switchover in the North West region. As at January 2010, Freeview HD services are on-air in London and the North West and serve around 22% of the population. With switchover in south Wales and the west of England, and special early transmissions for four key metropolitan areas, this will rise to around 48.5% of the UK by June 2010. Thereafter, Freeview HD will roll out with switchover for each transmitter group, with those who switched over in 2009 upgraded to HD by the end of 2010.

[25] DVB-T2 is a second generation terrestrial transmission technology developed by the international Digital Video Broadcasting group, which is designed to permit in the profile used in the UK a 67% increase in capacity compared to the existing technology. The standard was completed and ratified in September 2009.

16. The new transmission technology means that a new set-top box or integrated television will be required by all viewers who wish to watch Freeview HD services.[26] As the technology is so new, these devices are not yet ready for general purchase but the BBC expects that products will start to be available to the public before Easter 2010. The BBC is encouraged by the enthusiasm which is being shown by manufacturers and hopes that this will stimulate the market quickly to provide a wide-range of easy-to-use and low-cost devices.

DIGITAL SWITCHOVER OF RADIO

17. The BBC has been broadcasting digital radio services using DAB since the start of 1998. The BBC launched a number of new digital radio services broadcast online, on digital television, and on DAB in 2002 and the family of radio services has remained stable since then. Today, the BBC uses its national DAB multiplex to broadcast the five radio networks also available in analogue (Radios 1, 2, 3, 4, and 5live) and six other services (Radios 5live Sports Extra, 6 Music, 7; the BBC Asian Network; and the BBC World Service).

18. Digital radio listening by DAB is already well established: a third of UK households already own a DAB set, representing a ten-fold increase in just five years. The Digital Radio Development Bureau estimated that 10 million DAB receivers had been sold in the UK by the end of 2009. The BBC notes that RAJAR shows DAB has a 13.3% share of listening—and combined with listening through the Internet and on television, digital platforms now account for more than 21% of radio listening.

19. Each week more than four million adults tune in to the BBC's digital-only radio services, which offer listeners a range of unique and valued content, from uninterrupted Test Match Special coverage on 5 Live Sports Extra to vintage comedy and drama on Radio 7, to global news coverage on the World Service.

Structure of DAB in the UK

20. DAB capacity in the UK is formed of a number of "layers" of coverage. The BBC and the commercial sector each have access to one nation-wide layer.[27] Below this is a layer of multiplexes providing coverage on a regional basis to much of England and the central belt of Scotland. The third layer is one of 53 local multiplexes which together provide a patchwork coverage over the UK, with capacity reserved for the relevant BBC Nations or Local Radio station in each area.

21. The layer which is under the BBC's direct control—the national multiplex—is subject to further investment in order to improve coverage during this Charter period. At the start of the Charter period in 2006, the BBC estimated that the multiplex had an outdoor coverage of around 85% of the UK, and transmitters are now being built to improve this to 90% coverage of the UK. Given the law of diminishing returns which is apparent in extending the coverage of transmission networks, the BBC expects to build in the order of 140 transmitters to achieve this 5% coverage increase. (This compares to the network of 90 transmitters which achieve the 85% coverage.) The first 75 of these transmitters will have been built and will be on air by Easter 2010, with the remainder coming into service during 2010 and 2011.

22. The disparity for the BBC is in the coverage of its Nations and Local Radio services, where the roll-out of each multiplex is not under the BBC's control but under the control of the Ofcom-licensed commercial multiplex operator in each case. The BBC has taken up the capacity reserved for it in every instance but the lack of a licensed multiplex in some areas of the country (Cumbria, Suffolk, and the Channel Islands in particular) means that currently the BBC Local Radio stations for those areas have no route to digital carriage. Further, the award of licences but delay in launching services which has been apparent in the last round of licensing from Ofcom means that the BBC still has a significant number of Local Radio stations which are not carried on DAB.[28]

23. Moreover, as the coverage of each local multiplex is determined by the licensee as that which it is economic to serve, BBC Nations and Local Radio services are in many instances carried across much smaller areas on digital radio than on FM or AM (where the coverage is determined by the BBC alone). The BBC recognises that this is a function of the way that the regulation and market is established but notes that it leaves large gaps in coverage, especially for its Nations Radio services. An example of this is Radio Scotland, for whom capacity is reserved on multiplexes whose licensed areas nominally cover all of Scotland. The reality is that each operator has concentrated their investment on the more densely populated areas around key towns thus most of the Highlands and interior of the country remain uncovered.

[26] It should be noted that there is no change to the remainder of Freeview, and that standard definition services (including the BBC's range of channels) continue as normal and are unaffected.

[27] The commercial nationwide multiplex is operated by Digital One, a company now owned by Arqiva. It is not licensed to broadcast in Northern Ireland.

[28] The BBC Local Radio stations affected are BBC Gloucestershire, Somerset, Hereford & Worcester, Derby, Lincolnshire, York, Surrey, and Three Counties Radio. The BBC continues to work with the new licensees to encourage them to start transmissions as soon as practicable.

24. The BBC considers that any digital future for the radio industry must accommodate the needs of both the national and the local broadcasters, including its own Nations and Local Radio services and bring all of these players to digital together. The current local layer provides coverage to around 80% of the UK population, but the BBC considers that the digital radio upgrade should not take place until the digital coverage at the local layer matches that of FM at around 98%.

25. The BBC supports the Government's proposals to retain a small local community and commercial layer on FM after larger local, regional and national stations transition to digital. We also support industry proposals to simplify audience navigation of both analogue and digital services, through the introduction of a single interface that would list all services regardless of their broadcast medium. In this way, we believe that FM and DAB can co-exist effectively and can provide complementary types of radio service.

The Digital Radio Switchover

26. The BBC notes that the *Digital Britain* report recommended that the conditions might be right for FM radio transmissions to cease in 2015 and the digital economy bill currently under scrutiny in Parliament would give Government the necessary powers to drive forward a switchover to digital radio. The BBC believes the issue of the digital radio switchover and its timing can be considered separately: the BBC is committed to a digital future for radio but is clear that the timing of such an upgrade should be contingent on certain criteria being met.

27. The case for the digital radio switchover is clear. The FM transmission network is full and has reached the limit of its possibilities. The upgrade from analogue to digital will not only transform the listening experience but will also introduce innovative new technologies and interactive experiences suitable for the 21st century. For listeners, digital radio provides more stations, better sound quality, and more interactivity and functionality.

28. The BBC considers that the criteria set out in *Digital Britain* report are broadly appropriate: that before a switchover process starts, the majority of radio listening should be to digital; and that the coverage of all affected services should be comparable to the coverage currently offered by analogue radio. The BBC would also expect switchover to be reliant on the availability of high quality, cheap digital radios for the home, for the car, and for personal and mobile listening.

29. The formation of Digital Radio UK is a key step in the preparations for a radio switchover and for the first time allows concentrated effort to be put into the digital radio switchover. The company has been created by the UK radio industry and has the backing of all of the key stakeholders in digital radio's future, including commercial operators, the BBC, and the multiplex and transmission operator, Arqiva. Digital Radio UK also works closely with the motor industry, digital radio manufacturers, and retailers.

30. In terms of coverage and reception, the radio industry is working on redefining digital radio reception standards. Until now, digital radio has been a complementary platform to analogue and the focus has been on maximising the geographical reach of signals. In order to make the switch to digital, the industry is now aiming to meet higher standards of coverage; enhancing signal strength, as well as further expanding geographical coverage. The process of network expansion that the BBC is currently engaged in shows this well: while some transmitters are bringing coverage to areas for the first time, many others are plugging holes in existing coverage and reinforcing reception across the UK.

THE DIGITAL SWITCHOVER HELP SCHEME

31. The Switchover Help Scheme was first formally proposed in the BBC *Charter Review Green Paper* in March 2005 which said that the Government would "ask the BBC to: . . . help to establish and fund schemes to help the most vulnerable consumers make the switch [to digital TV]". After a trial scheme, which was conducted in the Hulton ward of Bolton in July 2005, the *Charter Review White Paper* set out the proposed Scheme in more detail in March 2006. The first Help Scheme Agreement was published on 4 May 2007 and the Scheme now operates in accordance with a Revised Agreement which was published in December 2009 (Cm 7771).

32. The Agreement provides that the Help Scheme is to offer one set of digital television equipment to all those who meet the Scheme's eligibility criteria and who receive television programmes from that Region as each ITV Region switches. Eligibility is judged and help made available in each Region from eight months before the final switchover of the first transmitter in the relevant Region until one month after the final switch of the last transmitter in that Region. The Scheme also offers eligible people installation of that equipment,

instruction as to how to use it, the installation or upgrade of any aerial or satellite dish where needed, and a free aftercare service for a year after any installation. Tenants who need a new or upgraded aerial or satellite dish must also show that they are responsible for their aerials or dishes and have their landlord's permission to upgrade or replace them or have made all reasonable efforts to obtain that permission.

33. The eligibility criteria, the nature of help to be provided and all matters of Scheme policy remain the responsibility of the Secretary of State. To be eligible to receive help one must be:

— aged 75 or over; or

— entitled to disability living allowances, attendance allowance, constant attendance allowance of mobility supplement; or

— registered blind or partially sighted; or

— someone who has been resident in a care home for more than six months (this last criterion having been added in December 2008).

34. There are, however, some exclusions from eligibility so, for example, you are no longer eligible for help if your partner or child has already received help and you cannot receive help if your home is not covered by a television licence.

35. The help usually costs a set fee of £40 but is free if you (or the adult responsible for you if you are a child), receive pension credit, income support, income-based jobseeker's allowance or income-related employment and support allowance. Of those qualifying for help from the Scheme it has been estimated that around 45% will qualify for free help.

36. Under the Scheme Agreement, the BBC has a number of detailed obligations. The BBC has established a wholly owned subsidiary company (DSHS Ltd) to manage the Scheme, and both DSHS Ltd and its sub-contractor, eaga plc, are also bound by these requirements. In particular, they are obliged to ensure that:

— in each region the Scheme offers the most cost effective digital equipment, which will provide an eligible person with the public service television channels, and a choice of other equipment for which an extra charge may be made;

— ensures that its most cost effective offer meets core receiver requirements so that it is easy to use for eligible people (eg it offers access to audio description services via a single button on the remote control);

— ensures that its staff are properly trained and have not been legally barred from activities involving children or vulnerable adults; and

— operates in accordance with a code of service standards to ensure that all its customers receiver a high quality service which is sensitive to their needs.

37. A pilot Scheme was operated by Capita as the BBC's subcontractors in the Copeland area in October 2007. After a very competitive procurement process, eaga were appointed to deliver the national scheme in February 2008 and they have been delivering the Scheme since then.

38. The Scheme has operated very successfully since its inception and by the end of January 2010 had completed over 260,000 installations of digital equipment with a very high degree of customer satisfaction—a customer satisfaction survey is completed by 200-300 Help Scheme customers every month and, during 2009, 93.8% of respondents rated their willingness to recommend the Scheme at eight or above out of 10. The Department for Work and Pensions, local authorities (for registered blind and partially sighted people) and the Department for Culture, Media and Sport (for care home residents), provide the Scheme with the names and addresses of those who are eligible and everyone who is eligible for help receives a letter (and two further reminders if they do not reply) offering them help.

39. Take up of the Scheme is currently averaging around 18%. There is of course a significant overlap between the different categories of eligibility—indeed it is quite possible for an individual to be aged over 75, entitled to the qualifying disability benefits, registered blind or partially sighted and resident in a care home—but the breakdown of those taking up the Scheme is broadly as follows:

Breakdown of those seeking help from the Scheme:

	"Free"	*%*	*"£40"*	*%*	*Total*
Under 75	76,692	78%	21,849	22%	98,541
Over 75	105,020	62%	64,171	38%	169,191
Total	181,712	68%	86,020	32%	267,732

Within the total above—the following groups are split as follows:

	"Free"	*%*	*"£40"*	*%*	*Total*
Blind and partially sighted	9,164	72%	3,485	28%	12,649
Care Homes	22,382	94%	1,431	6%	23,813

40. The costs of the Scheme are being met from the television licence fee and the original budget set for the Help Scheme was £603 million. The BBC is obliged by the Scheme Agreement to ring-fence the following sums from current and future licence fee revenue to fund the Scheme between now and 2012–13:

2007–08	*2008–09*	*2009–10*	*2010–11*	*2011–12*	*2012–13*
£12.6 million	£67.6 million	£129.6 million	£159.0 million	£160.7 million	£73.5 million

41. By the end of 2008–09 just over £50 million of these ringfenced funds had not been spent and a significant underspend is now expected to arise between now and 2012–13. The original £603 million budget, which assumed take up of 65%, was set by the Department for Culture, Media and Sport in consultation with the BBC and in the light of detailed independent research in January 2006 by Taylor Nelson Sofres as to the propensity of people to take up help under the Scheme. Input was also received from the Central Office of Information, the Department for Work and Pensions and local authorities as to the possible response rate based on their experience of analogous schemes in other areas. Subsequently a very competitive procurement exercise reduced the cost of the Scheme at that level of take up to £495 million. A proportion of that £495 million is made up of fixed costs but the final outturn for the Scheme will depend crucially upon the level of take up.

42. Take up varies region by region and forecasting the final outcome rests on a number of variables. For example:

— We are currently assuming that there will be no further changes to the Scheme although some changes have been made already (like extending the Scheme to care homes) and the Secretary of State is of course able to propose further changes;

— Our research suggests that there may be a further 5–10% of people who might benefit from our help. These people are not being left with blank screens at switchover because they are helping themselves, but they are finding switchover a struggle. We shall therefore continue to work closely with our partners in local authorities, local communities and the voluntary sector to encourage them to think about using the Scheme; and

— The Scheme will soon be introducing a new Freeview set top box which is much easier to retune. Since some people find retuning boxes very difficult, this may prove popular.

43. We do not therefore believe that it would be wise to assume that take up will necessarily remain at around 18% or to be categorical about the level of underspend at this stage with fewer than a fifth of the country having been through switchover. When the NAO looked at this question in 2008 they concluded that it was then "too early to draw firm conclusions on the funding requirement for the Help Scheme" but that, if national take up matched that in the first area to switch in Copeland, Cumbria, the total underspend by the end of 2012–13 could be around £250 million, about half of which came from the procurement and half from lower take up.

44. If it is assumed that take up could increase, but by no more than the 5–10% of people who might benefit from the Scheme, but that there will be no other major changes, the underspend may still now be higher but we do not think that it would be safe to assume that it would increase by more than a further £50 million. It is important to stress, however, that only £50 million of underspend had arisen by the end of 2008–09 and most of the forecast underspend is based on expenditure which has not yet occurred and income which the BBC has not yet received.

45. As the Scheme Agreement makes clear, "decisions on how this underspend is dealt with will be dealt with nearer the time that any underspend becomes apparent, possibly in the context of the next licence fee period".

46. Meanwhile the work of the Scheme continues and DSHS Ltd remains answerable to the BBC Trust to deliver a high quality Scheme against four key performance measures:

- value for money in the contract;
- encouraging appropriate take up of the scheme;
- helping the most vulnerable and hard to reach; and
- customer satisfaction.

February 2010

Examination of Witnesses

Witnesses: Ms Caroline Thomson, Chief Operating Officer, Mr Graham Plumb, Head of Distribution Technology, and Mr Tim Davie, Director of Audio and Music, BBC, gave evidence.

Q354 *Chairman:* Welcome. Thank you very much indeed for coming. As you can see, we have had a very good first session. Let us look now at the BBC and the position there. Caroline Thomson, you might be the best person to answer this question: how do you see the present position of BBC Radio? We heard at the previous session that a number of the commercial stations are struggling to survive. What is the position as far as listening, as far as BBC Radio is concerned?
Ms Thomson: Thank you very much for inviting us here today. I should hand over to my colleague, Tim Davie, who runs our audio and music division, but BBC Radio is the jewel in the crown of the BBC. We are very proud of our analogue radio stations and we believe they serve a variety of different audiences with very good content, which is distinctive. We have made enormous progress, particularly in the popular music stations, making them distinctive and building the speech output and so on for them.
Mr Davie: From a purely BBC perspective, radio is in good health. Overall, in terms of an industry basis as you have heard throughout the hearings, listening to radio is surprisingly robust despite the amount of digital options that are out there. From a BBC point of view, we are very focused on increasing the distinctiveness of our services, ensuring that the differences versus the commercial sector are apparent and transparent. In that context, we are holding a share which fluctuates between 54 and 56 per cent. More importantly, from my point of view, it is really about reach and the number of hours that people are spending with BBC Radio as opposed to share. About 66 per cent of the population spends about 16.5 hours on average with BBC Radio every week. Critically, they are rating the quality of that as extremely high. We are seeing quality measures increase slightly over time which, in terms of my focus, is probably the primary focus of running the audio and music operation. We are here to talk about distribution but we are absolutely focused on the quality of services.

Q355 *Chairman:* I have some information from you which indicates that hours per listener has declined by eight per cent since 2003.
Mr Davie: In terms of overall radio listening?

Q356 *Chairman:* Yes.
Mr Davie: There has been a decline. If you look at the shape of that, there was a decline in the early 2000s or 2003.

Q357 *Chairman:* It is your paper I am quoting from.
Mr Davie: Absolutely. In terms of the last few RAJARs, quarters, we have seen a stabilisation of radio listening. There was a long-term trend of marginal decline, but the idea that that is inexorable and has kept going is not the trend line at the current time.

Q358 *Chairman:* Is there any evidence on what kind of programmes in radio are proving most popular?
Mr Davie: The radio programmes where there is strongest editorial quality are holding up well. What I mean by that is, as to some earlier observations, just providing a music play list does not provide a distinctive service at this point in time. I think it is the quality presenters, the people who are providing context, knowledge, learning, all the various things that we value on radio, who are absolutely providing the things in programming that are seen to hold up in these times when we are veering towards infinite choice. It is worth saying that radio has some hard-edged, in-built advantages. It is live. It is mobile. One of the words bandied about at the moment is "multi-tasking". I think you were able to have the radio on and cook your dinner many years ago, so radios have in-built ability to be a companion. Some of those values will hold up, regardless of the technological changes that we see over the next few years.

Q359 *Chairman:* Caroline Thomson, what is the advantage to the BBC of going digital?
Ms Thomson: In radio or in general?

Q360 *Chairman:* In radio.
Ms Thomson: The advantage in going digital is it has allowed us to have more channels. We have tried to do that in a way that complements our existing channels.

3 February 2010 Ms Caroline Thomson, Mr Graham Plumb and Mr Tim Davie

Q361 ***Chairman:*** How many channels have you at the moment?
Ms Thomson: We have a channel called Radio 1 Extra which does what it says on the tin and complements Radio 1. We have one called Radio 6 which is looking at popular music but it is between Radio 1 and Radio 2 popular music. We have Radio 5 Extra which is using the sports rights that we have acquired for Radio 5 but have not had space to broadcast. That is a classic of really enabling audiences to get more material. We run an Asian network so we have been able to appeal to more minority audiences and we have Radio 7 which is a speech channel.

Q362 ***Chairman:*** I am tempted to ask how many more channels do you want.
Ms Thomson: Those are the digital channels.

Q363 ***Chairman:*** You do not want more of those?
Ms Thomson: No.

Q364 ***Chairman:*** That is the limit of your ambitions?
Ms Thomson: That is certainly the limit of our ambitions. Essentially, it has enabled us to do that. I find myself, just as a consumer of digital radio, that it is so much easier to tune. You find the channels more easily. You programme more easily. It has record functions. As an avid Radio 3 listener, I find the screen which tells you what you are listening to very helpful. I think it has some added consumer benefits as well as the range of channels.

Q365 ***Chairman:*** We are tending to concentrate in this Committee on radio at the moment, I suppose because there seem to be many more questions coming up on switchover and radio than there are on the television side, which is obviously further down the track. I notice in your paper what you say is that the BBC is already committed to building out the national multiplex to 90 per cent of the population and that should be finished by 2011. What happens to the other ten per cent?
Ms Thomson: I think we should be absolutely frank about this. We find ourselves not quite in the same position as your previous witnesses but I think the whole of the radio industry is in a bit of a quandary. We have embarked on a digital route. We are committed to the 90 per cent and we will do that. As you may know, covering the final ten per cent or nine per cent, which is what would equal FM coverage, costs an awful lot of extra money.

Q366 ***Chairman:*** How much?
Ms Thomson: It will probably double the amount of money we are having to spend on DAB transmission. I am happy to write to you with the precise figures, if you like, but obviously this would be a commercial negotiation we would have to have so I do not want to reveal exactly what is in our budget. It is not quite doubling.

Q367 ***Chairman:*** For the final ten per cent you would have to double the spend?
Ms Thomson: Not quite double, but we are getting into that territory.

Q368 ***Chairman:*** Therefore, what is your view on that?
Ms Thomson: Our view on that is we would only feel that was value for money for licence fee payers if there was a commitment to an analogue switch off because to do what we call dual illumination—running the two systems, FM and DAB, in parallel—is clearly very expensive and not producing a lot of extra benefit.

Q369 ***Chairman:*** You are saying that, if there was that commitment, you would do the other ten per cent?
Ms Thomson: Subject to a licence fee settlement that enabled us to do it, yes.

Q370 ***Lord Maxton:*** You have talked about the new digital stations but you of course will have all your regional stations. They are all on digital, are they not? Does that then affect the ability to listen to them outside of the area? For someone like me coming from the Glasgow area or the Bishop of Manchester coming from Manchester, does that mean that we can listen to our local BBC stations on DAB?
Mr Plumb: Just to be clear, not all of the BBC's local services are carried on DAB at the moment. We are carried on commercial multiplexes for all of our local and regional services, so we are bound by where Ofcom has licensed those services and where a commercial operator has appeared and has rolled out those multiplexes. Yes, we are in the hands of the commercial operators there and Ofcom.

Q371 ***Lord Maxton:*** Can I listen to BBC Scotland down here on DAB?
Mr Plumb: No, not on DAB. The nation's services are only carried in their respective nations.
Mr Davie: You would have to wait for the arrival of IP.
Ms Thomson: You could get them online.

Q372 ***Baroness Howe of Idlicote:*** Just thinking about the role you have played as far as the television switchover is concerned, what "Auntie" similar type role do you envisage playing as far as the whole of commercial radio and the whole of the radio situation, which is clearly now going to be very protracted?

Ms Thomson: Obviously in relation to television switchover, we had a number of roles. We first of all provided the new channels with the content, which was a big plus and I think was probably a more important driver of desire to switchover than in radio, where there has already been more choice available anyway. We built up the transmission system and we ran the help scheme. Radio is very different and we obviously would have the same sort of leadership role in providing the content, which we are doing, and in building up the transmitters. Whether or not we would want to do a help scheme would depend. We need to get much closer to a switchover/switch off point to see whether that would be right and clearly radios are much smaller and cheaper. The issues of radio availability and replacing the radio service are much less demanding on people's pockets than television.
Mr Davie: Very specifically, as somebody who is relatively new to the industry, what is needed is strategic clarity. There is an overwhelming need to get absolute clarity for everyone in terms of where the strategy is heading. What we can contribute—and are trying to accelerate in some ways our contribution here—is obviously content, where we have been committed for some time. We need to keep pushing the power of exclusive digital content. Second, we are a major shareholder and funder of bodies such as Digital Radio UK, which I think has been critical. Caroline and I were the founding BBC directors of the Digital UK TV switchover so we have some experience here. You have heard from Ford Ennals. Getting a body that has the power to drive through these solutions on an industry basis is critical and currently we have not had that. The BBC has been a driver in that. We have proposed that and are a major shareholder in that. I think we can be a champion of things like common EPGs. We are extremely concerned to make sure that the solution does not leave two-tier systems where listeners are left behind or stations are left behind. That currently requires a lot of work. We can talk about common programme guides. Frankly, listeners do not care whether it is FM or DAB; they just want to listen to a quality service. The BBC can be a driver of common platforms and EPGs and it is certainly our intent, although we sit on DAB, to be inclusive in that. We absolutely see that as our role and part of our purpose is to take the whole of the digital agenda forward. We can lead on distribution once we are provided with strategic clarity in terms of migration and also funding certainty. We have been the ones saying, "We will build up to 90 per cent within this licence fee period," so I think that has provided kind of a hard signal that we want to progress. Finally, I think we can be an inaugural partner in areas like the Radio Player which is a joint venture. We have to admit that if you look at the media landscape the radio industry lacks scale. It is absolutely sub-scale in terms of its ability to compete in areas such as the internet. Getting one Radio Player for the industry which can be used by commercial radio and the BBC with appropriate boundaries is something that we are driving. I think that gives you a flavour of how we can be active in this area rather than passive.

Q373 ***Baroness Howe of Idlicote:*** If I may say so, it also gives a pretty clear indication that there must be some problems involved in the delay there is in fixing the switchover date. What problems, if any, does this pose for you?
Mr Davie: I think it is a double-edged sword. Getting a switchover date too soon—this debate has been had fairly fully. You had Barry Cox in front of you and others. The key for us is to get some certainty in terms of direction of travel and a target switchover date. The zone we are in at the moment is essential to us. If you are a car manufacturer—or we have heard about mobile phone manufacturers—without that certainty and the BBC itself, you cannot plan. My hesitation is, if you push that too far, the BBC has very real concerns about leaving listeners behind and also we have responsibility for universal access. We have a different mission to others that sit in commercial radio and we care about that deeply. We do not want a solution where people are losing their services. It is as simple as that. Personally, having taken this role, one of the markers to be put in the ground is we do not agree with a switchover that does not come from thresholds being met and coverage being delivered.

Q374 ***Chairman:*** You want 100 per cent coverage?
Mr Davie: Every digital regional expert will say 98 plus and you are pretty much there. Remember you also have digital television. Basically, I would use the words "replicate FM". I do not think it will actually match house-to-house but 98 plus.

Q375 ***Baroness Howe of Idlicote:*** I got the impression, as far as the help scheme was concerned, that you were not envisaging it costing as much, shall we say, as television, though obviously there will be people who will be needing quite a lot of help and guidance. Also, whilst we are on this subject, can you update us on how you think the whole of the help programme has gone as far as television itself is concerned?
Ms Thomson: Certainly. I think you have had evidence from Peter White who is running the help scheme for us. I think it is worth saying that the whole of television switchover has gone more smoothly than we had hoped. I should not say this when we have only switched 20 per cent of the country and we are no hostages to fortune, but so far there has been quite a considerable success given the concerns we all had. I had enormous personal anxieties since I was in

charge of it at the BBC. As part of that, the help scheme has been a very interesting experience. Why do I say "interesting experience"? I say that partly because of the level of takeup. It has been administered brilliantly and that has worked very well with a complicated structure because of the inter-relationship with the various government departments with it and the licence fee and so on. The interesting thing, as you will know, is that the takeup having been predicted to be nearer to 60 per cent is actually more like 18 or 20 per cent. I think that is driven by a number of things but one of them is just that digital television has become the norm. 90 per cent of the population has digital television so their primary television set is digital anyway.

Q376 ***Chairman:*** Who made the prediction in the first place that takeup was going to be 60 per cent? Where did that prediction come from?
Ms Thomson: That came from a calculation that was done by the working party, mostly based on DWP calculations about takeup of other benefits.

Q377 ***Chairman:*** I asked this question on the last occasion this was raised. Did you actually talk with the department closely on this?
Ms Thomson: Yes. The model for takeup was designed particularly with DWP input because they were the people who were experienced about this.

Q378 ***Chairman:*** Perhaps the thing wrong with the help scheme was that you had this rather peculiar system whereby a little part was ring-fenced out of the licence fee rather than it simply being a social security benefit.
Ms Thomson: We felt that it was appropriate to fund it from the licence fee because we had an interest in universal access and in making sure that digital switchover really worked for everyone, whatever their pockets and means of funding it. I would not take the low takeup as being a criticism of the decision to do it at all. Rather, it is a symbol of two things. One is the success of the Digital UK plan, the marketing, and of digital television and the fact that people want it. That manufacturers have managed to bring the price down a lot has helped a lot and has meant that the £40, which is the basic charge for the help scheme, has appeared to some people to be quite expensive although it offers rather good value if you need things like your aerial done.

Q379 ***Chairman:*** It never crossed your mind that social security might do this, given that we are talking about people over 75 or the groups that, when I was Social Security Secretary, I was familiar with?
Ms Thomson: Yes, of course it did cross our minds but we felt that, when asked to by the Government, it was appropriate to fund it from a ring-fenced part of the licence fee because we had a particular interest in making it work. We would not rule it out if we came to digital radio. I think digital radio just raises a number of different issues.

Q380 ***Lord Gordon of Strathblane:*** Could I concentrate on some of the different issues? I think it is already identified that the public were in fact running ahead of the legislators in adopting digital television but, Mr Davie, despite the emphasis on content as the driver, are you disappointed with the level of listening to digital-only stations, not ones that are simulcasting the analogue output as well, but digital-only?
Mr Davie: I think progress has been as expected. As you can hear from my voice, I would like to see more listening to digital. If you look at the fundamentals of the market, they have to change. I am optimistic that they are changing. What do I mean by that? We heard figures on digital radio percentage of sales. Digital radios are by far the vast majority of sales among the kitchen radio market where you have more expensive, bespoke sets. This gets slightly technical but the chip sets of which you are aware have not been put into clock radios. They have been too expensive. They have not been put into iPod docks. Without re-engineering the supply chain and the economics of this enterprise, you will never get the breakthrough. It does not surprise me. I am quite encouraged that there were 10.5 million sets sold to date. I think you will hear this from Digital Radio UK. We absolutely need structural changes to change that trend line radically to earn a migration. The good news in the last 12 months is that the euro-standard chip is incredibly important. The fact that car manufacturers are joining Digital Radio UK is material and we need to see some news from them. I think we are optimistic about that. You begin at that point to believe that a migration path can be navigated. That is the discussion that represents the last 12 months. I think the progress has been good and substantive. Progress to date is okay but needs to improve. Am I disappointed? No, because I think the audience reaction to those services has been quite good. If you listen to Radio 7 listeners, the feedback is surprisingly positive; a million listeners. I am not disappointed by that but I think there is a lot of work to do.

Q381 ***Chairman:*** We were told in the last piece of evidence—I do not know if you were listening to it—that what were described as cheap analogue radios were outselling digital by three to one. You are saying that is not the case?
Mr Davie: No. I believe that is across categories. If you take all devices that have a radio in them, you will get to that kind of number presently. In the sub-category of kitchen radios, certainly the top end of

DAB is far outselling FM radios, but there is not a choice in the market because the manufacturers have not had a cheap chip.

Q382 ***Lord Maxton:*** There are radios that do both.
Mr Davie: Absolutely.

Q383 ***Lord Maxton:*** What category do you put those in?
Mr Davie: I am not sure on the three to one where those are. I do not know, to be honest.

Q384 ***Chairman:*** We would be interested in the figures. What I am concerned about is the confusion to the public and the fact that a member of the public goes into his radio store and buys something which might well be out-of-date in a couple of years' time. I slightly overstate the point.
Mr Davie: Two quick points. The first is we can supply straight away the shares by sub-category. I have seen it. I think it is very useful because it shows you by clock radio and we have those numbers. We can provide them because I think they tell a story. The second point is I think we are genuinely interested in providing a lot more clarity in retail environments. That, to be fair, is what Digital UK did. It is the job that Caroline and myself and others did very effectively with the digital tick and other devices. What that came from was certainty in terms of policy and strategic direction. Without that we cannot deliver it.

Q385 ***Chairman:*** One follows the other. You need clarity of policy and then you can give the guidance.
Mr Davie: Exactly right.

Q386 ***Lord Gordon of Strathblane:*** At the moment the Digital Economy Bill targets not a switchover but a migration, conditional upon certain percentages of consumers being reached et cetera. Are you happy with that or would you like it firmed up?
Mr Davie: I think it is appropriate as it sits at the moment.

Q387 ***Lord Gordon of Strathblane:*** Can I now switch to technical matters? I think we all agree that universality of provision is a key element in public service broadcasting. I am looking in particular at paragraph 23 of the evidence you gave us where you say, if you do not mind me being parochial, on Radio Scotland in particular you cannot reach the whole of the country because commercial operators are only interested in targeting the main bits of the population. How do we square that circle?
Mr Plumb: There is a lot of work being done on that at the moment. We are working with the other players in industry on that. It is a fundamental issue to us. There is a disparity between the areas that we need to cover and the areas that commercial radio needs to cover and therefore the affordability of that. We have to look at a way of solving that overall. We do need to get to the stage where, on DAB, we can match our FM coverage so that at any potential switchover time—or whatever you like to call it—no listeners would lose their service. It is an ongoing discussion at the moment about how funding would come from that, what proportion would come from the BBC and what proportion needs to come from the commercial operators to cover the areas that they need to cover.

Q388 ***Lord Gordon of Strathblane:*** Going back to what Caroline Thomson said, that it might double the cost, would you regard that doubling of cost as being still worthwhile, bearing in mind that analogue television took extraordinarily marginal expenditure to increase coverage up to 90 per cent?
Mr Plumb: Again, we can share the costs with you on a confidential basis but broadly it is worth saying that if we compare the situation now with a not universal coverage digital radio service plus a full analogue service and a full digital future, where you have all of our services carried on DAB matched with the FM coverage, there would be a reduction in costs to the BBC from that transmission route. It is worthwhile doing. One thing we absolutely cannot afford to do is to go to a universal coverage for DAB for all services and keep the analogue on as well. That is just totally unaffordable.
Lord Gordon of Strathblane: I would welcome having those figures.

Q389 ***Lord King of Bridgwater:*** I understand there has been a cost/benefit analysis study done on the route to digital radio that said the benefits outweigh the costs after 2026. What that says is there is no benefit for the next 15 years. With the technical changes and possible developments that might happen, it seems to me extraordinarily difficult to see what the cost benefit is of a move. Is that right?
Ms Thomson: I do not think I am familiar with those figures.
Chairman: It is the Pricewaterhouse study.

Q390 ***Lord King of Bridgwater:*** It was commissioned by Ofcom.
Mr Plumb: We are talking about the longer term costs of transmission. We are saying in the long term, when you get to the stage where you have switched off the analogue service and you have full digital coverage, for the BBC there would be a cost saving long term. Nevertheless, there is a cost hump in getting there in the situation where you have dual illumination. You are rolling out the DAB services and you are still keeping your analogue services on. You have to look over a long-ish period like that to say at what point it becomes cost neutral. There is a saving to be had but

it is over quite a long period of time and there is an uplift in cost that we would have to have.

Q391 ***Lord King of Bridgwater:*** What you are saying is it will cost and it will cost for the foreseeable future.
Ms Thomson: Yes. If we got to switchover and we were able to switch off the analogue, the ongoing costs of running a completely DAB network would be, we believe, slightly less than we currently spend on the analogue network. The saving is not enormous. I assume what the PwC work is referring to is that the payback period, given that we have a very expensive hump to get there, would be not until about 2026. Obviously that depends a bit on when you switch off the analogue signal.

Q392 ***Lord King of Bridgwater:*** The interesting thing here is we are dealing with two halves. We are dealing with the producers, who are you, and we are dealing with the customers. I think we are still trying to see how you possibly cope with the problems with which they are going to be faced. Have I got that right?
Ms Thomson: Yes. The big issue about migration is making sure that customers have access properly through car radios and so on. By the way, one of the complications about Scotland is of course making sure that you get mobile coverage over the vast geographic area of Scotland. That is quite a considerable challenge, even on FM.

Q393 ***Lord King of Bridgwater:*** I have never seen something where it is so far out before anybody sees a benefit coming through. You may remember this. Margaret Thatcher had a saying. People used to come to her with a proposition and they would say, "Year one will be a bit expensive, year two will be expensive but we really get the benefit in year three" and she had a simple stance that year three never comes. By the time you have got there, other developments have happened and you have continuing problems. Going out 15 years to say then it will have a real benefit I find incredible.
Mr Plumb: It is worth saying we are probably facing a similar situation to the one we had prior to the decision to migrate to a fully digital, terrestrial television service. We were faced with that situation where we had one digital service, a digital television service, that at the time was not going to be universal coverage and an analogue service that was universal. We had to decide whether we stuck with that situation for all time or whether we tried to roll out to universal coverage for all the digital services and then switch off the analogue services. The cost savings there—again, I am sure we could look back over the numbers—I am sure we would find that it was not a one, two or three year turn around in terms of reduction in transmission costs. These are longer periods of time over which you reap the benefits, but it is still worth doing so if you have a policy objective of delivering all of your digital services to all of your viewers—or in this case listeners—around the whole of the UK.
Ms Thomson: I think that is right. Of course, the part of the equation which you will have registered from your previous questioning that makes this more complex is that in digital television part of the benefit was freeing up the analogue spectrum which had a real commercial value; whereas the same is not so true of the radio switchover.

Q394 ***Bishop of Manchester:*** I want to go back for a moment to the question Lord Gordon was asking about figures. I note in your submission to us in paragraph 18 you are referring to the RAJAR figures that DAB has a 13.3 per cent share of listening. In the next paragraph you talk about the number of adults tuning into the BBC's digital-only services on the radio, four million. You may have said this earlier and I did not pick it up. If that is so, forgive me. Are you able to say what percentage that is of people who listen to specifically BBC radio programmes? What is the percentage of your digital-only listeners?
Mr Davie: I am trying to clarify the question. It is the percentage of?

Q395 ***Bishop of Manchester:*** It is the percentage of your listeners to specifically BBC programmes who are listening to digital-only. I am thinking of programmes such as Radio 6, which you have not referred to at the moment. You have talked about Radio 7. Perhaps you could let us have the figures rather than take up time now.
Mr Davie: We will let you have the figures. In our language, the unique reach by a digital station is variable. On the Asian network, it is extremely high. For something like 6 Music, it would be quite low and similar to a Radio 3 profile, where they are also listening to Radio 4. Of the four million, I think the number is around one to two million people who will come to the BBC generally, but they will come to the digital radio services only.

Q396 ***Bishop of Manchester:*** Is each of those stations growing?
Mr Davie: Apart from the Asian Network.
Ms Thomson: Could I just add one piece which we forgot to put in the evidence to my shame, having worked at the World Service? One of the important benefits of digital radio to us is of course it makes the World Service available properly in the UK and it gets 1.3 million listeners a week, so it is by far and away our most successful digital service in Britain.

Q397 ***Bishop of Manchester:*** Just going back to particular programmes, you mentioned earlier and just now Radio 3. We have had more letters coming

into this Committee on the matter I am going to raise now I think than probably on any previous occasion and it is to do with the quality of sound. If I can quote from one of the letters we have received, which is from a quite prestigious musician so presumably he knows what he is talking about, this is what he says: "Were there to be a guarantee that FM transmissions, universally regarded as being of the highest quality, would continue indefinitely, this would not matter and those who wanted DAB's advantages and who are indifferent to its drawbacks would be well catered for. Were however FM to be turned off, the BBC would for the first time in its history be making a deliberate decision to reduce the quality of its output." Can you comment on that?
Mr Plumb: It is a very emotive subject, sound quality on digital radio, and we get a lot of enquiries about it. It is worth saying there has been a lot of research done on this. I believe there has been an independent piece of research work carried out that showed that 76 per cent of listeners still think that sound quality on DAB is as good as or better than FM. The vast proportion of listeners do think the sound quality is better.

Q398 ***Bishop of Manchester:*** I deliberately quoted from that letter because it comes from somebody who seems to know what he is talking about in terms of the quality of music or output. You are more of a technician than I am but presumably there is some kind of basis for what he is saying?
Mr Plumb: There is always a trade-off to be had in terms of the technical bit rate that you assign to a service versus the quality. We have done a vast amount of listening tests on all of our service, trying to pick the appropriate bit rate that is the best balance between efficiency of use of capacity or spectrum and gives the best possible listening experience. We believe that we have set it in the right position for all of our services across all of our national digital radio multiplex. We always review the situation periodically just to see how things are going if we change the coders or equipment that we install, but the feedback from the public generally is that we have got it about right.

Q399 ***Bishop of Manchester:*** You have both been working on it and I think I hear you saying that really, from your point of view, you do not see any significant disparity between the quality of musical output on Radio 3, be it FM or DAB?
Ms Thomson: I think we should be frank here. For real classical music aficionados, they can hear a difference and they will because of the way the signal is configured. For most people, that difference is not apparent and indeed digital radio offers probably a better listening experience than a lot of FM, depending where you are in the country of course. For us frankly there is a constant dilemma here. How far do you go for the small group of specialists compared with the population as a whole? A lot of that depends on how much it costs and how much band width there is. We already use quite a bit more band width for Radio 3 than we do for the other services in order to try and overcome that problem, but we can only go so far and make sure it is value for money.
Mr Davie: Just to endorse this, we have resisted pressure and certainly I am resisting any pressure to reduce bit rate on DAB on Radio 3. I think we are higher than others and we want to keep it that way. Complaints frankly are minimal at this point because the quality is of a standard. There is a lot of debate between depth of sound on FM versus DAB. If you want to talk to the top sound engineers at the BBC, they believe satellite television provides the best sound for classical music so, if that is your bag, that is what I would recommend. Certainly at the bit rates we are broadcasting, I think DAB is of very good quality and something we can be proud of.

Q400 ***Bishop of Manchester:*** Can I ask one further question? Taking up the point that I think Mr Davie made, which was that of the digital radio stations the one that has declined in its number of listeners is the Asian one. Has any research been done about why that might be so?
Ms Thomson: Yes, we are doing a fair amount of research on it as we speak. I think one of the difficulties with the Asian service is almost its concept in that it is broadcasting in a number of different Asian languages and to audiences as well who vary from the older audience to the younger audience and what sort of output they want. It is trying to cater for too many disparate groups simultaneously, I think is what the evidence is starting to show us.

Q401 ***Bishop of Manchester:*** So would that be a classic example of where the preferred output would be via community and local radio?
Ms Thomson: I think it might well be and is something that digital radio could offer, and indeed is already offering—much more targeted services to the different groups with different indigenous backgrounds in Britain. To be honest, I think the concept of an Asian network has been a rather British view—that somehow if you have come from the sub-continent you must all be the same in origin—so we are wrestling with how best to serve these audiences. We are determined to serve these audiences; it is clearly an important part of the BBC remit to reach audiences like this, but whether one whole network like this is the right way to do it is something we are looking at.

Q402 ***Baroness McIntosh of Hudnall:*** Just going on from the Bishop of Manchester's questions about the benefits to consumers of receiving programmes via DAB, I am an avid Radio 3 listener as well and I have to say that reception on FM is not that great quite a lot of the time. You pay your money and you often do not get a choice, really! You said earlier, Caroline, that there were added consumer benefits of listening on DAB and you then listed benefits which actually were not about content; they were about the bits and bobs that go with it, like being able to see what you are listening to or getting an EPG, whatever it is. What are the content-led benefits of switching to DAB, indeed, are there any, and how can you encourage people—given that you clearly are enthusiastic about the proposition that in the medium term DAB, or anyway digital of some kind, is the answer for radio—to take the DAB offer and buy more sets and pressurise car manufacturers to get it into cars and all the other things that you need your consumers to do, through the content that you can provide? How will it be different?
Mr Davie: The simple answer to the question is one of choice, so from a BBC point of view and from a radio industry point of view, where you have limited national FM spectrum, digital radio offers choice.

Q403 ***Baroness McIntosh of Hudnall:*** I am going to stop you right there, if I may, because the thing that has struck me about the digital stations that you have at present, which I have to say I do not use a great deal, is that there is not very much original content, particularly in speech radio, that is available only on digital.
Mr Davie: That is true.

Q404 ***Baroness McIntosh of Hudnall:*** Choice is one thing, but if I have already heard on Radio 4 the thing that you are then offering two months later on Radio 7, or if I am already well up on your comedy output, or whatever it is, I am not going to go and listen to it on DAB unless I am a real nerd, so what are you offering?
Ms Thomson: Let me take my share of the responsibility for that problem, because one of the reasons it is like that is that it was a regulatory condition of the original approval for these services that they were not going to be investing in lots of new original content; they were going to be essentially making better use of the archive as their fundamental premise. It has changed a bit in the nature of some of the channels but that certainly is true of Radio 7 and, as I said, Five Live Sports Extra is about using existing material, and this was largely because of market impact reasons, in order to protect and give space, as we hoped, to other commercial digital radio stations to launch and grow. If you remember, at one stage *The Guardian* had *One Word*, for example, and the use of archive was a very important part of conditions for the launch.
Mr Davie: The other thing is that we have to balance the cost of the enterprise versus the number of potential listeners at this point in time so that there is a balance between how much you put in and how much you invest ahead of the curve, particularly when we do not want in any way to compromise the quality of the national services. Having said that, I think there are opportunities where exclusive content has been successful. Five Live Sports Extra has been very successful for people who want to listen to the cricket or whatever; that provides a piece of content which has driven digital sales. Let us not forget we are at 10.5 million sales, so there has clearly been a proposition there. We moved all of the Glastonbury Festival onto Six Music this year, so that if you wanted to get a fuller coverage of that festival you had to go to digital, and so I think there are opportunities, but again it does link to the strategic certainty because then you can invest behind it, and I think I accept your challenge, which is how do you make that content offer more compelling.

Q405 ***Baroness McIntosh of Hudnall:*** Given that the expensive bit is creating the content, is it not, or certainly creating the content requires a high level of investment?
Mr Davie: Absolutely.

Q406 ***Baroness McIntosh of Hudnall:*** So would it be fair to say that your continuing stress on the need for certainty and strategic coherence actually has to do quite precisely with what you are going to be prepared to invest in content in the future that you are currently not investing, to some extent because of previous regulatory issues but also to do with the fact that it represents an investment on which you cannot guarantee to get any sensible return?
Mr Davie: Yes, I think it is a factor. I think we have to prioritise the core national services at this point, and that is the right thing to do, because the last thing we would want to do is compromise Radio 3, and then you look at the scope and scale of the operation and make a judgment. If you look at our digital investment, it is significant at this point, so I would say that, from a BBC point of view, personally I am more interested in how we tailor the editorial propositions—I am just being honest—rather than pour more money in at this point. I think that is where the key opportunity lies in the next few years.

Q407 ***Baroness Eccles of Moulton:*** Could I come back for a moment, please, to the question of universal coverage, and presumably when we are talking about it we are embracing both BBC and the whole industry? When the FM switch-off takes place, if it ever does, it seems that it is a much more complex and difficult question for the industry than it is for the BBC. I think

we have gathered that there are certain different digital systems which can be used and there is one that is developing which would be easier for commercial radio to adapt to if FM disappears, and that is DAB+. Maybe this is the flavour of the month and it will make life very difficult if it is decided that DAB straight, as it were, is getting out of date and does not offer certain extra facilities or whatever for FM's disappearance. Maybe this is a question for Mr Plumb. Am I on the right track?
Mr Plumb: Yes. There is a lot of debate around this at the moment. I would say this is not really a technology matter. The primary thing that DAB+ offers you is a more efficient system so you can squeeze more services into a certain amount of spectrum. The big penalty that comes with it is that it is a new system and so you have to throw away all your existing listeners, so it is effectively a new switchover. That is a very big challenge; it is starting completely afresh. It then becomes a commercial issue: what is the argument for lots more capacity? In the previous session I heard a lot of arguments about whether more services were required or whether they were not required, and I think that depends on the scale of them, on the commercial sector. DAB+ does not offer anything other than extra capacity. It does not give you exciting new digital EPGs or any other things that come along with that. It is purely a capacity and therefore a commercial scale issue, and from our point of view, having seen 10.5 million DAB sets out there, it is a technology that works; it gets the services out there. It is fine for existing services going forward. You can look at television analogues. Sky has had the same digital television system for its standard definition services since 1998. It has not felt the need to upgrade those. It uses the same form of coding, indeed, the same form of coding as you use on DAB, so it is still fit for purpose.

Q408 ***Baroness Eccles of Moulton:*** I think there was some mention earlier on from Mr Davie about the EU multi-chip. Is that relevant?
Mr Davie: It is relevant over the long, long term. I hesitate to say it because it is already at a 2026 pay-out, which I certainly would have been alerted to in my commercial days. The idea that we put chips into all devices going forward that in the long, long term are appropriate for DAB+ or the main standards globally seems to me appropriate as long as that on-cost is not causing problems with the retail price.

Q409 ***Baroness Eccles of Moulton:*** We are not going to get trapped into a position around finding that we have adopted a system that has gone rapidly out of date and is it better that we scrap it now?
Mr Davie: Absolutely, but that is why the euro chip is so essential, so that devices are absolutely future-proofed going forward, and that is why we are not proposing just to have a kind of old DAB chip sitting in all devices going forward, because I think there would be long-term vulnerability in that, and I mean long term. Having said that, we looked at all the options over the last year and a half and did a check, if you like, in terms of this whole debate, and it is absolutely clear that a third of households have got DAB sets in them. The idea now that we go backwards for the sake of capacity with no discernible benefit when we can find a route through which we deliver these services to people, a lot of services, seems to me a road not worth travelling, frankly.

Q410 ***Chairman:*** I might be just a bit depressed, might I not? I am going to have to throw away my analogue set. Now you are going to tell me, it is proposed, to throw away the DAB set as well so that I can get DAB+. This is not good news for the poor old consumer out there.
Mr Davie: The challenges are significant enough, I agree.
Ms Thomson: If I could just add to that, I think you are absolutely right: the consumer confusion and the loss of confidence would be enormous and so our clear view is that that would not be the best route. We do think, and my colleagues who know more about this than I do can talk about this if you want to, that there are alternative solutions to some of the problems for the local commercial radios which are to do with dual band radios and retaining a base of some FM coverage with a joint EPG, so we recognise the problems but we think there are better solutions.

Q411 ***Lord Maxton:*** One of the major problems with the car manufacturers putting DAB radios in has been the fact that it is not going to be Europe-wide. I assume that if you have a car radio which has been DAB+ or more you will still be able to get the BBC channels on it?
Mr Plumb: Yes, that is the whole point of the euro chip. It will work with whatever system you have and in whatever country you are in. That is the advantage. That is really what the euro chip is about. It gets that economy of scale that encourages car manufacturers, who have struggled up till now to do something for just one particular market or another.

Q412 ***Lord Maxton:*** Briefly on the radio content one, am I not right in thinking that if you have digital radio you can rewind your content?
Ms Thomson: You certainly can on some sets.
Mr Davie: Absolutely right.
Ms Thomson: It is like the pause button on Sky Plus.

Q413 ***Lord Maxton:*** So if you miss something you can replay it?
Mr Plumb: Yes.

Q414 ***Lord Maxton:*** Obviously, you have now put a lot of money into your online services, which includes radio on the iPlayer, which I must say I listen to quite a lot on the train coming down because it will not let me watch your television, and also, of course, you can get your radio services if you are abroad with the internet. How significant is that?
Mr Davie: The potential is huge. Currently though it is limited. About two per cent of radio listening is listened to through the PC. The industry recognises that part of moving radio to digital will be increasing listening via IP, and that is why we have formed a partnership on the radio player. For instance, you can have just one thing on your iPod that says, "You click on this and there is all of radio there", and that will help the industry. The issue is in terms of "could we move to that directly, so you just move and you ignore the need, if you like, for a future-proofed digital broadcast infrastructure?" The issue with that is the technical challenges of radio—mobile, getting it into all cars, betting on the robustness of an IP solution, and I am sorry if I am going too much into this but every single analysis I see says that it will take at least 15-20 years and is not a robust platform at this point, so to bet radio's digital future primarily on the internet and IP seems to me too great a risk to what is such an important part of the broadcast infrastructure, and that represents the debate we have been having over the last year.

Q415 ***Lord Maxton:*** But if you go back five years and look where we were five years ago in terms of the internet and broadband and all the rest of it and now, and it is moving faster, and push it forward five years, surely ---?
Mr Davie: Sure, but our view is that, even if you accelerated the development of IP, in the way we have done with television where you will see a situation where broadcast and IP can work together, so you listen to a broadcast but the internet will provide other things behind it, the future for devices is absolutely to have a broadcast backbone—FM, DAB, but then have IP capability so you can dig in; if you listen to *The History of the World* and *100 Objects*, you can go and look at the object on your radio screen. If you are interested in the future of audio and radio, which is obviously my passion, you have to be on the front foot with regard to digital innovation. I just think not to have a broadcast infrastructure as a backbone to that that is digital is too great a risk.

Q416 ***Chairman:*** Just one general question. You heard the evidence from one or two of the commercial radio people. One of their underlying concerns is that the competition against them is often to the effect that BBC is taking over some of their audience. You are now in a very strong position, are you not, in radio? You have 56 per cent of the market. Does this dominating position worry you, concern you?
Mr Davie: Broadly the answer is that we think the radio services we offer are appropriate to what the licence fee demands of us. As I said, 66 per cent of people are getting $16\frac{1}{2}$ hours a week.

Q417 ***Chairman:*** How many people?
Mr Davie: 66 per cent of the population.

Q418 ***Chairman:*** How many is that in people?
Mr Davie: It is mid 30s, I think, in terms of adults, and we think that is appropriate. But what we are absolutely keen to do is support an environment in which competition thrives. Being very frank with you, we could be in a position where the BBC says: "FM is fine. We have got a good share. We are doing well." But I think for the future of radio and for the UK media a competitive radio market is an essential condition. It is good for our programme makers, it is good for the whole UK media economy, so we, as we did with Freeview, are interested in ensuring that the UK is at the forefront of digital competition because the truth is that what is coming over the top of that is global internet services, infinite choice. That is why we are strategically, and I am personally, absolutely committed to a point where we drive a situation where audio and radio can thrive and flourish as opposed to withering due to lack of, frankly, spectrum and growth possibilities. That is what we are trying to do.

Q419 ***Chairman:*** But there are some areas, are there not, news reporting and news discussion, where BBC radio so much dominates the landscape, at a national level at any rate, and that obviously goes to the heart of democratic discussion in this country?
Mr Davie: I take the point, but if you take Scott Taunton earlier, he is running a profitable TalkSPORT service that does extremely well.

Q420 ***Chairman:*** I am not sure TalkSPORT is exactly what I had in mind.
Mr Davie: But editorially those choices can be made beyond us. In terms of the BBC, we are absolutely committed. I will not go through the BBC's editorial values because I am sure—

Q421 ***Chairman:*** I think we have heard those.
Mr Davie: If at any point we felt we were not offering things that are distinctive versus the market, we would have a serious think about what we are doing. That is our mission.

Q422 ***Chairman:*** Okay, I have heard your mission. And who checks the mission, that it is being done?
Ms Thomson: That is obviously done by the BBC Trust and each of Tim's services has a service licence that is issued by the BBC Trust which has requirements of

them in terms of the mix and the distinctiveness of the service.

Q423 ***Chairman:*** Okay. Well, I suppose in light of this morning's *Times* report, we had better not go too far into the BBC Trust just at this moment in time. Are there any additional points you want to make in any way?

Ms Thomson: No.

Chairman: I would like to thank you very much indeed for coming today. It has been very interesting and useful evidence. There are a number of other things and perhaps we can come back to you on those.

Supplementary memorandum by the BBC

In Q388 of oral evidence, the BBC undertook to send the Committee details of the cost of extending national multiplex coverage to match FM coverage (ie 90% to 98.5%). Please could you provide us with the figures? (The DCMS, based on the Minister's oral evidence, have told us that the additional cost would be around a further £10 million per annum. Do you agree with this figure?)

This figure is broadly consistent with our own expectations. However, we are unable to give a more accurate figure at this stage as we are yet to undertake a procurement exercise.

Has the BBC come to an agreement with commercial radio on how local digital radio coverage will be extended to FM levels and how the costs will be shared? What level of coverage would this represent? When will this expansion of the local infrastructure take place? The DCMS, again based on the Minister's oral evidence, have suggested this could cost £10 million and £20 million. Do you agree with this figure?

The BBC has not yet reached an agreement with commercial radio on how local digital coverage will be extended and we are therefore unable to provide an estimate of costs at this time. Discussions are ongoing and we will be happy to update the Committee once agreement has been reached.

In Q395 of oral evidence, the BBC undertook to send the Committee the figures for the proportion of their listeners who listen to the BBC's digital only stations. Please could you provide us with the figures?

The proportion of BBC listeners who listen to the BBC's digital only stations is listed below for each digital-only service. Please note that "Total reach" is not a simple sum of individual reach figures because some listeners will listen to more than one digital service and have therefore only been counted once in the total figures.

	REACH		
	Number of listeners '000	Number of listeners as a % of UK population	Number of listeners as a % of the total BBC radio audience (33.264million)
1Xtra	531	1.0%	1.6%
6 music	695	1.4%	2.1%
Radio 7	931	1.8%	2.8%
5 Live Sports Extra	663	1.3%	2.0%
Asian Network	360	0.7%	1.1%
Total reach excluding World Service	**2,913**	**5.7%**	**8.8%**
World Service	1,227	2.4%	3.7%
Total reach including World Service	**3,895**	**7.6%**	**11.7%**
Source: RAJAR Q4 2009, 15+			

One of our oral witnesses, Jaqui Devereux (Q 675) of the Community Media Association spoke of the impact on community radio if the BBC stops using FM for local broadcasting. Can you tell us whether BBC local radio is likely to go onto digital and, if so, whether the BBC would continue to maintain the FM infrastructure and on what financial basis?

If Government policy moves to implement switchover then the BBC would work with that plan to move local radio onto DAB. One of the benefits of a digital switchover would be to save dual distribution costs and so we would expect to remove BBC services from FM in due course.

The recent NAO report on the BBC's management of its coverage of major sporting and music events (p.12–13) says BBC Audio & Music has a target to grow the overall reach of the BBC's digital radio services by greater than 5.5%. What impact will the suggested closure of two of the BBC's five digital-only radio stations have on this target?

The BBC is committed to driving digital radio listening and our investment remains the same.

The BBC launched its five new digital radio stations eight years ago in order to popularise, and take advantage of, digital radio technology. Since then, whilst digital radio listening has grown, adoption remains low, and the BBC has concluded that its current strategy for promoting digital radio is inadequate. The BBC's promotion of digital radio must support its strategy for enhancing quality across all services, analogue and digital, and by nurturing not stifling a growing commercial digital radio sector. The BBC must ensure that its investments in digital content are working hard to provide value to licence fee payers.

With this in mind, the BBC's strategy for its digital radio portfolio is to:

— Reduce the number of stand-alone digital networks.

— Maintain overall digital investment, targeting spend on a more focused portfolio.

— Restructure services where current performance is unacceptable.

The BBC Trust's recent review of Radio 6 Music confirmed that it is popular amongst its fan base and its music offering is distinctive. However, although it has achieved good growth in recent years, it has low reach and awareness and delivers relatively few unique listeners to BBC radio. And whilst 6 Music does not have a target demographic audience, its average listener age of 37 means that it competes head-on for a commercially valuable audience. Boosting its reach so that it achieved appropriate value for money would significantly increase its market impact. Given the strength of its popular music radio offering from Radio 1 and 2 and the opportunity to increase the distinctiveness of Radio 2, the BBC has concluded that the most effective and efficient way to deliver popular music on radio is to focus investment on these core networks.

The BBC therefore has recommended that the Trust should consider closing Radio 6 Music by the end of 2011. Accepting the critical role that it must play in driving audiences to adopt digital radio, the BBC should nonetheless maintain its overall levels of investment in original radio content aimed specifically at digital services. It should evaluate the best use of this content investment and of the digital spectrum that the closure of 6 Music would release. The BBC will also review how some of 6 Music's most distinctive programmes can be successfully transferred to other BBC radio stations, and how its support for new and specialist music can be sustained across the BBC.

Radio 5 Live Sports Extra provides a good model for how digital-only services can complement their analogue sister stations, in this case through extending 5 Live's sports commentary. Over the next 18 months, the BBC will strengthen further the editorial links between 1Xtra and Radio 1, whilst Radio 7's current distinctive offering will be developed through new content and closer ties with Radio 4, culminating in the re-branding of the station as "Radio 4 Extra".

The BBC Asian Network aims to provide high-quality news and discussion, helping British Asians connect with their cultural and linguistic roots. However, the increasing plurality and diversity of British Asian audiences are stretching the coherence and relevance of this service; its audience reach is in decline and its cost per listener extremely high. The BBC therefore proposes that the Trust considers closing the Asian Network as a national service, exploring a number of options for redeploying its investment and meeting the needs of Asian audiences more effectively. One option is to replace it with a network of five part-time local services with some syndicated national Asian programmes. These would be available on local DAB and local Medium Wave, serving areas with the largest British Asian communities.

March 2010

WEDNESDAY 10 FEBRUARY 2010

Present		
Present	Bonham-Carter of Yarnbury, B	King of Bridgwater, L
	Eccles of Moulton, B	Maxton, L
	Fowler, L (Chairman)	McIntosh of Hudnall, B
	Howe of Idlicote, B	St John of Bletso, L
	Inglewood, L	

Memorandum by Age Concern and Help the Aged

1. Introduction

1.1 Age Concern and Help the Aged welcome this inquiry by the House of Lords Communications Committee on the digital switchover of television and radio. Age Concern and Help the Aged have been members of the Advisory Group to Ministers on consumer needs in the digital switchover of television since it was first established in 2000. The Group has produced four reports: *Digital Decisions: Viewer Choice and Digital Television,* December 2001; *Persuasion or Compulsion? Consumers and analogue switch-off,* October 2004; *Digital TV Equipment: Vulnerable Consumer Requirements,* March 2006 and *Supporting Vulnerable Consumers with targeted assistance at and after Digital TV Switchover,* April 2006. The objective of these reports was to advise on what steps needed to be taken before switchover could be announced and what needed to be done to ensure the process was as smooth and problem free as possible.

1.2 While representing the needs of all consumers, the Group took particular care to ensure the needs of older and disabled and other vulnerable groups were addressed to ensure they could experience the benefits of digital television. One of the recommendations that the Government implemented was to establish the Help Scheme to give more direct help to households aged over 75 and those with specific registered disabilities.

2. Digital Switchover

2.1 The switchover process is an extremely complex one requiring considerable co-operation and co-ordination between a large number and wide range of agencies if it is to be done with minimal disruption to the public. We think it is a credit to the pre-planning work of Ministers; the Departments of Culture Media and Sport and Business, Innovation and Skills; Ofcom; Digital UK and the Help Scheme as well as the input from the Consumer Expert Group (CEG), that so far switchover has been achieved with very few problems emerging. As well as this pre planning it was also helpful that the first switchover was conducted in a fairly small area so that any lessons from this could be accommodated in the subsequent larger regions to be switched.

2.2 We think the switchover in the Granada region was the biggest test to date and are pleased that the local Age Concern organisations that were involved in this have reported that, in general, the Granada switchover was well done and most people switched without any issues. We were particularly pleased that they reported very limited experience of mis-selling of equipment or rogue trader operations. We were particularly concerned that digital switchover offered a golden opportunity to rogue traders and distraction burglars and were pleased that Digital UK took our concerns on board and ensured close liaison with Operation Liberal and local trading standards departments in the switchover regions.

2.3 We were, however, disappointed that retuning continued to be a problem in Granada, as it had in the other regions that had switched. Our North West regional team felt there was insufficient provision in the Granada switchover for practical support with retuning. For many older people, particularly those with dexterity and sight problems, as well as those who had a problem understanding the instructions for various reasons, retuning was a major difficulty.

3. Practical Help

The main options for practical help are:

3.1 To get help through the Help Scheme although this could not help those who were either ineligible or who had not used the Scheme because they had already got their equipment.

3.2 To ring the Digital UK helpline where they could be talked through how to retune. Whilst this was found to be very helpful and gave a lot of support, for some older people talking through the problem was not enough to help them retune because they needed practical support in their homes.

3.3 To ask friends or family to help but for some this was not a viable option. Either they did not know people who were able to assist or their family lived too far away to be in a position to help.

3.4 To get a local retailer to help. Although many retailers were prepared to visit the household to retune, they were charging between £20 and £40 a visit and given two visits were required this was quite an expensive option.

3.5 Local Age Concerns approached the Digital Outreach programme and in some cases were able to use the grants scheme to fund practical support at switchover. In some cases the local Age Concerns could provide the practical help themselves. However, they consider that they could have been more preparation for this aspect of switchover and would have liked more formal planning on practical assistance in advance of the switchover date.

3.6 One proposal that could reduce the number of problems is that the Help Scheme could make more of the practical help it can offer in its publicity. Many who were eligible for the Help Scheme did not take up the offer because they already had a box or they perceived the £40 payable by those not on means tested benefits as expensive. Families had often provided a box to an older relative in the belief this would prepare them for the switch without understanding the implications of the need to retune. Families may also offer the advice that a box can be bought locally for much less than getting one for £40 through the Help Scheme, without understanding the additional support that is offered through the Scheme. For example, £40 is far less than having to pay £80 to get help from a retailer to retune.

3.7 Given this perception of the Help Scheme was evident in the very first switchover in Whitehaven it is disappointing that it remains the case. We think it may be more of a problem in future switchovers since it is likely even more eligible households will have got their own set top boxes. We have already asked the Help Scheme to re-consider their publicity to minimise this problem with retuning. We have also asked Digital UK to highlight this problem, and explore with local voluntary organisations problems and those involved in Digital Outreach in switchover regions action that could be taken to minimise the problems well before the actual switchover date.

3.8 We think the experience of the pre-planning and the way Digital UK has established the network of local community organisations is a useful model for other similar Government initiatives. We think these experiences are particularly appropriate for the implementation of the Government's new Community Energy Saving Programme as well as the proposed national roll out of smart meters.

28 January 2010

Memorandum by Consumer Focus

This memorandum responds to a request from the Clerk of the House of Lords Select Committee on Communications for a written submission in connection with its inquiry into the progress of, and prospects for, digital switchover of both television and radio in the United Kingdom. We would be happy to discuss these issues further with the Committee.

About Consumer Focus

Consumer Focus is a statutory body that champions the needs of consumers across England, Wales, and Scotland and, for postal services, Northern Ireland. We operate across the whole of the economy, persuading businesses and public services to put consumers at the heart of what they do. Consumer Focus has the power to take action where markets are failing consumers and to ensure a fair deal for all—especially the vulnerable and disadvantaged. As well as highlighting problems for consumers, we work with a range of organisations to champion creative solutions that improve consumers' lives.

1. Consumer Focus work on Digital Switchover

1.1 We work with Government, Digital UK and other major stakeholders in digital television through our membership of the Digital Consumer Expert Group (CEG). The CEG was established in 2005 by the then Broadcasting Minister, Lord McIntosh, to advise Ministers on the consumer dimension of switchover, and we refer to the work of the Group in this submission. Through this Group we have worked on issues of concern to consumers, including the need for a Help Scheme which the CEG was instrumental in establishing, developing the digital tick logo to help consumers to identify digital-ready products and improving product labelling using an easy to use score-card format that lists the key features of digital products.

1.2 The Group also submitted a report to Ministers on consumer issues in the context of switching to digital radio, which is highly relevant to the inquiry.[1]

1.3 In addition, our colleagues in Consumer Focus Scotland ran a Digital Diaries[2] project during the switchover period for the Scottish Borders area in 2008. This gathered important evidence about consumers' experiences of switching which Consumer Focus Scotland will submit to the Committee separately.

Their conclusions were that vulnerable consumers were not well informed or prepared early enough in the process, partly because the Digital Switchover Help Scheme was not fully communicated. Retailers were not consistently well prepared for switchover, leaving consumers without good information and advice at point of sale. Consumers wanted access to effective local support and a trusted independent source of information and advice.

Our colleagues in Consumer Focus Wales researched some of the challenges consumers face in obtaining accurate and reliable information about whether switchover requires any changes to their TV aerials, which we refer to in our submission.

2. Summary

2.1 The Committee inquiry is making a brief interim assessment of the switchover programme for analogue to digital television and the prospects for switchover for radio.

Our submission focuses on five issues:

- The hidden complexity of digital TV creates more confusion than anticipated
- Consumers need better access to independent, personalised information and advice so that they (especially vulnerable people) feel better informed and prepared well in advance of switchover, and have support before, during and after the switchover date
- Effective and well resourced local help and advocacy schemes need to be widely available
- Consumer protection networks need to anticipate the potential for, and help consumers guard against, rogue traders and mis-selling
- The case for switching to digital radio has not been made, from the consumer perspective

3. Hidden Complexity

3.1 Many consumers have switched from analogue to digital TV without any major difficulties, as reported in Digital UK's (DUK) regular bulletins. However, as we have argued since the early days of the Digital Action Plan, through our predecessor body the National Consumer Council, switchover is not a straightforward experience and considerable numbers of consumers struggle to understand what switching means in practical terms. The Digital Diaries project showed that there is a big difference between:

- consumers knowing that switchover is happening and knowing what to do
- finding out what is the best option for their needs and how to install it successfully and then dealing with post-switch technical hitches or ongoing changes such as retuning.

3.2 Although manufacturers are aware of the need to make their equipment easy to use there is an in-built tension between "usability" and the drive for more sophisticated functionality of digital devices. The CEG has, with the Department for Business, Innovation & Skills, been in discussions about how consumer-defined usability requirements could be built into manufacturing but commercial imperatives mean that manufacturers tend to place more emphasis on technical add-ons and increased complexity to attract buyers rather than producing basic models that put ease of use first.

[1] See appendix
[2] Digital Diaries—digital TV switchover: consumers' experiences, Scottish Consumer Council June 2008

4. Access to Independent, Personalised Information and Advice

4.1 Most of the readily available information about the options for switching is:

- online, which makes it inaccessible for those without internet access or who find it difficult to read online
- at point of sale which is often too late to help people make a fully informed decision

There is no single authoritative source of information and advice for consumers as responsibility for communications and dealing with problems is fragmented. DUK, broadcasters, manufacturers and the Help Scheme all produce helpful guides but the amount of information is confusing, and consumers find it difficult to establish its independence.

4.2 The Digital Tick logo scheme goes some way to trying to deal with this but on the whole consumers would prefer to have a single point of information that they know is independent of "the digital industry", and where they can find out what is the best option for their needs. The Digital Diaries project found low levels of awareness of the significance of the logo among consumers in Scotland.

4.3 The Ricability website (www.ricability.org.uk/) provides useful comparative details about the various products on the market, and a guide to working out what best meets individuals' needs but even if consumers are aware of this information resource, the same comments about online access apply.

5. Practical Help and Advocacy

5.1 Even though Digital TV equipment is arguably less complicated than computers, the terminology and techniques such as the use of menus and prompts are unfamiliar to many individuals who have no other natural contact with digital equipment through employment or education. This makes it very difficult for people to navigate instructions or to make adjustments to their equipment. People in this group may feel they will be able to cope, and initially set up their equipment successfully—possibly with help from family and friends or through the Help Scheme. But the ongoing complexity means they do not know what to do on a day to day basis or when something unexpected happens.

5.2 Many consumers have been confused by having more than one switchover date, the need to retune their equipment through the different stages of switchover, unexpected changes in the number of channels they can access, or have had difficulty in using the menus, electronic programme guides and recording devices. The ongoing introduction of new equipment and options such as high definition TV (HDTV) adds to the complexity and confusion.

5.3 There is no easy way to identify these individuals in advance, and they may not realise themselves until switchover is well under way. The Help Scheme was not designed to provide help with post-installation problems, leaving a potential gap in support.

5.4 Consumer Focus supports the Digital Switchover Help Scheme (DSHS), though we would welcome its extension to include more people who have difficulties in coping with digital switchover, rather than the existing age and disability grounds for eligibility, as well as a wider scope to include a wider range of support.

5.5 Based on their experience of roll-out, the Help Scheme operators have also identified some need for improvement in the way it works. This includes the timing and distribution of publicity material and reminders, and the continuing need to simplify the information pack outlining what is on offer. The pack contains a lot of detail which can feel daunting, with a risk that some potential beneficiaries just discard the information. Some consumers think the mailings are junk mail and dispose of the material without realising they could benefit, and others (especially those who have to pay a contribution) don't realise how much support they would receive so assume it is not good value for money.

5.6 As people don't always know what they're going to need before switching happens they think they won't need the Help Scheme but run into trouble later on in the process but cannot recall how to get in touch, or think it's too late to do anything about it.

5.7 The Help Scheme concentrates on obtaining and installing equipment but does not extend to the ongoing day to day problems that might arise but aren't anticipated by Help Scheme users eg retuning, integrating other recording equipment, resetting timers. These issues present a particular challenge to deaf or blind people (many of whom have age-related conditions and may not be registered as disabled) who have more complicated access needs.

5.8 Digital Outreach Limited is a partnership that brings together Age Concern England, Help the Aged, Community Service Volunteers and Collective Enterprises Limited to develop support services locally. They train volunteers, provide information to potentially vulnerable people and organise public meetings, home visits and switchover help centres. To some extent Digital Outreach plugs the gap between the Help Scheme and more general needs in local communities but there is some evidence that the model is not working as well as it should. The Digital Diaries project and individual anecdotes indicate that vulnerable people are not always referred, and that public awareness is patchy. Work is in hand to improve the links between the Help Scheme and Outreach services but we will continue to monitor its effectiveness.

6. Consumer Protection

6.1 At the instigation of the Consumer Expert Group, DUK has been working closely with trading standards professionals, Consumer Direct, Citizens Advice and others to identify and reduce the opportunities for rogue traders, opportunistic burglary, and mis-selling of new equipment when it isn't necessary, for example new aerials. Consumer Direct has not identified any significant increase in incidents connected with digital switchover to date but is continuing to monitor the situation.

6.2 Evidence from the research conducted in Wales revealed the potential for problems resulting from low levels of understanding among consumers and aerial installers about whether they would need to replace their existing aerials. Consumers may have paid for new aerials and other equipment when they did not need to. In the Consumer Focus Wales mystery shopping exercise:

— around a quarter of installers said the caller would need a new aerial, which seems high in relation to the Ofcom estimate that only around 10 per cent of households would need replacements

— installers in some areas did not know the date of switchover (92 per cent in the Swansea area knew but only around 57 per cent in the Newport area)

— 44 per cent of installers didn't explain it was easy to check the signal strength using teletext or by plugging in a digibox. Instead they said they would need to visit the consumer's home, or that it was not possible to check[3]

7. Digital Radio Switchover

7.1 Consumer Focus is not convinced of the consumer benefits of switching to digital radio. We support the conclusions of the 2008 report from the Consumer Impact Group[4] to the Digital Radio Working Group; set up to advise Government on the feasibility of switching to digital radio.

7.2 The report argued that neither the market nor consumers are prepared for switching, especially if it were to happen soon after the digital TV switch. It also questioned both the benefits and the desirability of changing. It suggested that further research should be conducted to find out more about the pattern of ownership and usage of analogue and digital radio, especially among consumers who may bear the greatest impact, eg:

— people with disabilities

— those whose first language is not English

— people aged 65 and over

— those on low incomes

7.3 In the event of a digital radio switch, we would advise learning from the television switchover programme by setting up similar (and more effective) programmes and organisations to support consumers, including:

— a help scheme with broad eligibility criteria (including help with costs) and an outreach support system

— high profile national and regional information campaigns

— product labelling based on the digital logo or kite mark

— manufacture and promotion of easy to use, "accessible" products.

January 2010

[3] www.dso-wales.consumerfocuslabs.org
[4] See appendix

Memorandum by Wireless for the Bedridden (W4B)

REPLY ON BEHALF OF W4B—THE TV AND RADIO CHARITY BY TIM LEECH, CHIEF EXECUTIVE

Thank you for asking W4B—The TV and Radio Charity (W4B) to participate in this inquiry. The Charity was founded in 1939 and has provided support for isolated elderly and disabled people by the donation of Televisions, Radios and TV Licences throughout the UK. We also provide installation and maintenance of sets where needed and remain the largest individual purchaser and renter of TVs in the UK and the second largest purchaser of Radios. In many ways we have provided a help scheme for the last 70 years. W4B also provides advice and guidance to the Digital Switchover Help Scheme and the government upon the switchover process through the Consumer Expert Group (CEG), Digital Outreach Steering Group and Digital Radio Working Group. W4B also is a member of the Ofcom Consumer Forum upon Communications. We work with over 500 different referring agencies and answer enquiries on a daily basis from beneficiaries, referees and the general public. Our work thus provides us with a wide and varied set of contacts from some of the most vulnerable consumers to the architects of the Digital switchover.

The Effectiveness of the Digital Switchover Help Scheme and the Public Communications Campaign

During the Digital switchover W4B has received enquiries from people in areas that have switched or are in the process of switching. Most often these enquirers are eligible for help under the Help Scheme but have missed the information sent to them; or are eligible for assistance from Digital Outreach but have not been referred. Most worryingly we have been asked for help up to six months after a switch over. This does seem to indicate that the Digital UK communication campaign has not necessarily been very successful. This would also seem to be indicated by the low take up of the Help Scheme.

Some of the contributing factors to the low take up of the Help Scheme:

- Digital switchover is advertised nationally but the Help Scheme was not in the initial stages and then only infrequently. This has meant people have panicked and invested in low quality equipment they could sometimes ill afford or have been left vulnerable to mis-selling.
- Help Scheme leaflet and offer of help is complicated and made in writing, forgetting the significant number of disabled people who are unable to read.
- People have missed the help that is available to them due to not understanding the communication or seeing it as junk mail.
- People falling just outside the Help Scheme seem not to be referred on to Digital Outreach for support.
- Digital UK provides a lot of its information and support online and this is not necessarily readily accessible to older and disabled people.

Problems after switchover:

- People are finding that they have difficulty in retuning their TVs and Boxes after an area has switched.
- People inadvertently switch the AV channel off and don't know how to get back to digital.
- The digital box freezes and people do not know how to reset it.
- The region has switched over, support has left the area and no one is available to help from Digital Outreach or the Switchover Help Scheme anymore.
- Digital UK and the Switchover Help Scheme are not passing on information of other help that may be available to individuals as part of the choices that they may have.

These problems are likely to continue until set top boxes and televisions retune themselves automatically and people become familiar with the new technology. Older people seem to have the most problems remembering how to retune and update their equipment. The Charity foresees in the coming years after switchover that one of our major roles may well be supporting people in how to retune and use their equipment. We are therefore concerned that Digital UK and the Switchover Help Scheme are not making people aware of W4B—The TV and Radio Charity as an avenue of support.

The Digital Switchover Programme applies only to television. The arrangements for radio are still being developed. The Government does not yet have a timetable, though it has said that the switchover date will be announced two years in advance.

Our main concerns lie broadly in two areas—the impact of a proposed switchover upon isolated, elderly, disabled and vulnerable people and the impact upon the Charity's ability to assist in the future. These are dealt with at the end of the Reply under the section the Views of UK Broadcasters, Consumers, and Radio Interest Groups.

The Current State of the Government's Plans for Switchover to Digital Radio

The work done so far on FM switching to digital radio seems overwhelmingly driven by the commercial broadcasters' interests; consumers have had little input or representation. The issue for the broadcasters seems more to do with the cost of licenses, running analogue and digital services side by side, and the fall in advertising revenue rather than any benefit for the consumer.

The "Cost Benefit Analysis of Digital Radio Migration Report prepared for Ofcom 6 February 2009" (CBA) also brings into question if there is any public benefit to be gained from a switchover. The following letter from Ofcom to DCMS was released with a Redacted copy of the CBA as part of a Freedom of Information request made by W4B as a member of the CEG. The letter raises some key areas of concern for taxpayers, particularly in the present economic climate; in short, public money could be spent with little hope of a return or benefit to the taxpayer.

16 March 2009

Mr J Zeff
Head of Broadcasting Policy Division
Department for Culture, Media and Sport
2–4 Cockspur Street
London SW1Y 5DH

The interim report of the Digital Radio Working Group last year recommended that a cost benefit analysis be carried out on its proposals for digital radio migration. As you are aware, Ofcom commissioned a report from PwC, who carried out a cost benefit analysis on the Digital Radio Working Group's specific recommendations. I enclose the final version of that study. We regard this report as making an important contribution to the analysis of this issue. However, as PwC point out, there are some important limitations to the report which derive in part from its scope as well as reflecting the fact that the development of any digital migration strategy is still at an early stage. The purpose of this letter is to highlight four particular caveats:

1. *Other Routes to Migration*

The report's conclusions are based on the specific recommendations of the Digital Radio Working Group. It is important to recognise that other options exist to develop digital radio in the UK. A particular risk the report highlights is that—given the timescales involved—new technologies could emerge which supplant DAB. The report identifies the need to consider other policy scenarios as well before making any final decisions.

2. *Sensitivity Analysis: Two Critical Assumptions*

The report highlights that its result depends critically on two assumptions:

- that the current licence period is extended to 2030 so that the on-going benefits which accrue post-migration can be taken into account (the breakeven point is 2026); and
- that there is the successful development of a second national DAB multiplex.

The sensitivity analysis is very clear that if either or both of these assumptions does not hold the net present value of the Digital Radio Working Group's proposal becomes (significantly) negative. We note that the Digital Britain report itself states that the case for licence extension has not yet been made.

The report has considered the sensitivity of the results to a number of factors, one at a time. The cumulative effect of these may well be greater. In addition, the sensitivity analysis could also be developed to take into account other important assumptions, such as the rate of take-up of DAB sets which is not only relevant to the timing of any switchover itself but also to the scale of the cost to consumers from involuntary conversions. The report notes that there is little upside to the benefits estimated, and that most of the risks would produce lower net benefits. Taking all these factors together suggests that the report is an analysis of an optimistic scenario rather than a central or most likely case.

3. *Benefits from Coverage Versus Switchover*

The report identifies most of the consumer benefit from the Digital Radio Working Group's recommendations as deriving from extending DAB coverage and the services it provides. It should be noted that—in contrast to the case with digital TV—there is no technical or physical barrier which prevents these being achieved even if analogue broadcasting on today's frequencies were to continue.

4. *Further Research*

The report points out a number of areas needing further research, such as listeners' willingness to pay for digital radio services. Care would need to be taken to identify the incremental willingness to pay for those services over and above the willingness to pay for analogue services. Overall, this report should be regarded as the starting point in an ongoing process of cost benefit analysis to inform the Government's strategy for digital migration. In the case of digital switchover for television, the cost benefit analysis went through a number of iterations over several years as more information/research became available, and we would expect a similar process for radio. The report is particularly useful for identifying key issues and areas for further work. However, given the caveats set out above, it should not be regarded as making the case for migration to DAB at this point in time.

Peter Phillips
cc John Mottram, Dominic Morris

The Outstanding Technical Issues, including the Appropriateness of DAB as the Digital Radio Standard

The quality of DAB reception seems to have dropped as more stations have been added and FM devotees are particularly concerned by this, valuing of quality over "choice". FM signal has a far wider reach and thus caters for rural and remote areas to a higher level than DAB. It is in these remoter areas, where people can be particularly reliant upon radio to relieve their isolation, where a switch to Digital Radio could be problematic. Even in urban areas the digital signal can be poor due to factors such as wire frame construction of buildings. Digital radios also suffer from being less energy efficient especially at the more affordable end of the market. This could be particularly problematic as society has been growing more environmentally—and cost-conscious. The signal quality, energy efficiency and receiver type will also be crucial for the take up of digital radio within cars and some form of FM traffic warning system may need to be maintained. The need for a common European digital receiver and transmitting standard may also need to be considered, particularly in relation to car radios if they are to maintain their functionality across borders. The impact of new technologies such as internet radio should also be acknowledged as people are now accessing television, music, talking books etc through their computer rather than by more traditional ways.

The Views of UK Broadcasters, Consumers, and Radio Interest Groups

A switchover to digital radio from FM could prove to be more problematic than television. With an estimated four—six radios per household in the UK the cost to consumers for energy efficient and high quality sets could prove to be very unpopular. There also seems to be a greater emotional connection for people to radio than television and this does need to be carefully considered if any changes are to happen.

Our main concerns lie broadly in two areas; impact of a proposed switchover upon isolated, elderly, disabled and vulnerable people, and the impact upon the Charity.

Role of Radio in relieving isolation: In a recent survey 10% of older people reported feeling lonely and isolated and 21% were living below the poverty line. The role the radio can play in relieving isolation is perhaps most easily appreciated when one considers the words of one our beneficiaries who was recently widowed, "the radio is a great comfort when I awake in the early hours of the morning and there is no longer anyone there. Just to be able to turn on the radio and hear a human voice and go back to sleep is a wonderful thing". We often find that filling the silence and the gap that is left behind is one of the important roles that Radio and TV play for people. Analogue radio, especially FM, plays a particularly important role due to its affordability, reliability and low running costs. The ability of isolated, elderly, disabled and vulnerable people to cope with not only replacing analogue technology with digital but utilising it to the same extent is where the real danger lies. The very process of switching could cause people to become vulnerable due to not being able to cope with the switch and losing the benefits they presently obtain from FM. To help safeguard vulnerable people a Help Scheme to provide equipment and initial support will be needed. However, long term support and assistance will be needed after a switch has occurred. W4B effectively has been delivering such a service for the past 70 years but would need additional funding to deliver this on a wider scale.

Impact upon the charity:

Since the start of the switchover to digital television the charity has seen applications rise by over 60% to date. We are also finding that we are being approached to support people after the switchover Help Scheme has left an area, a need that will continue well after the switchover has taken place. The switchover of FM to digital radio will in all likelihood result in similar demand. To be able to respond to these and other emerging needs the Charity has to be in a good state of health and well known to the general public. At present the Charity receives no government funding and Switchover Help Scheme and Digital UK seem reluctant to tell the public that we may be able to help. Where we support the government taking responsibility for funding the support of vulnerable and disabled people in the short term we believe that it also needs to consider the short and long term impact upon charities that are already engaged in this area and those whom they support. Such developments could lead to increasing demand and cost upon the Charity and could undermine its role if it is not fully included as a key stakeholder. There need to be safeguards in place so the ongoing and long term support the charity provides to some of the most vulnerable in society is not undermined. This was an action point in the consumer report to the Digital Radio Group.

Registered Charity No: 207400

27 January 2010

Memorandum by Royal National Institute of Blind People (RNIB)

1. About RNIB

1. As the largest organisation of blind and partially sighted people in the UK, RNIB is pleased to have the opportunity to respond to this House of Lords call for evidence.

2. We are a membership organisation with over 10,000 members who are blind, partially sighted or the friends and family of people with sight loss. 80% of our Trustees and Assembly Members are blind or partially sighted. We encourage members to be involved in our work and regularly consult with them on government policy and their ideas for change.

3. As an organisation of blind and partially sighted people, we advocate for the rights of people with sight loss in each of the UK's countries. During the next five years we want to tackle the isolation of sight loss by focusing on three clear priorities, These are stopping people losing their sight unnecessarily, supporting blind and partially sighted people to live independent lives and creating a society that is inclusive of blind and partially sighted people.

4. We also provide expert knowledge to business and the public sector through consultancy on improving the accessibility of the built environment, technology, products and services.

2. Numbers of Blind and Partially Sighted People in the UK and their Reliance on TV and Radio

5. Research completed by Access Economics and Epivision estimates that there were a total of 1.8 million people with partial sight and blindness in the UK adult population in 2008. The research predicts that by 2050 the numbers of people with partial sight and blindness in the UK will double (115% increase over 2010), to nearly four million people.[5]

6. Since our *Needs Survey* in 1991 showed that a large majority of blind and partially sighted people watch television,[6] RNIB has taken an active role in highlighting TV access issues. It has worked to try to ensure access to programmes, services and equipment, both by direct work with broadcasters and manufacturers and by influencing legislation.

7. Blind and partially sighted people rely on and want to use television and radio as much as, and in some cases more than their sighted peers. This is evidenced by academic research. In 2006 Research the University of Birmingham[7] found that the most popular at-home leisure activity for blind and partially sighted people is listening to the radio or to music with 91% and around 87% of blind and partially sighted people regularly watch TV and videos or DVDs.

[5] RNIB research briefing (June 2009). *Future sight loss UK: a study on the prevalence and cost of sight loss.* Royal National Institute of Blind People. The prevalence of partial sight and blindness in 2008, and prevalence projections to 2050, were estimated using prevalence rates derived from the literature and population estimates calculated by Access Economics.
The full research comprises two reports: *Future Sight Loss UK (1): Economic impact of partial sight and blindness in the UK adult population.* Report by Access Economics Pty Limited and *Future Sight Loss UK (2): An epidemiological and economic model for sight loss in the decade 2010 to 2020.* Report by Darwin Minassian and Angela Reidy, EpiVision.
These reports can be found on http://www.vision2020uk.org.uk/ukvisionstrategy/page.asp?section=74

[6] RNIB Needs Survey (1991). *Blind and partially sighted adults in Britain: the RNIB Survey Volume 1,* by Ian Bruce, Aubrey McKennell and Errol Walker.

[7] Doublas, G, Corcoran, C, Pavey, S. (August 2006) *Network 1000: Opinons and circumstances of visually impaired people in Britain:* report based on over 1,000 interviews.

3. The Strengths of the Digital Television Switchover Process

8. Blind and partially sighted people are being assisted with digital television switchover by the government Helpscheme that supports older and disabled people through the process. Because it delivers not only hands-on assistance, but also equipment, the help scheme has ensured that blind and partially sighted people can get equipment that delivers audio description.[8] In addition, the standard equipment offer has to meet the core receiver requirements as specified by the government, and this has led to the procurement of equipment that is designed to be more suitable for disabled and older people than the equipment that is available in the wider market.

9. The Helpscheme has to date supported many blind and partially sighted people with very detailed hands-on assistance and RNIB welcomes the success of this scheme to date.

4. The Weaknesses and Suggestions for Improvements to the Digital Television Switchover Process

10. Despite all of the mechanisms in place for digital switchover, blind and partially sighted people who can not see information and menus on the screen have been let down by the process of switchover as many are still unable to independently operate a digital television. In an analogue environment, using the television and selecting one of the available channels was fairly straightforward. In the digital television era, the user has to be able to navigate a multitude of channels and find out what is on via an on-screen electronic programme guide (EPG) and various TV settings can only be changed via on-screen menus.

11. Ofcom's 2008 research report[9] confirms that many visually impaired people can not use on-screen information and on-screen channel guides. This is in sharp contrast with their experience regarding analogue TV equipment which with its limited channel line-up and simpler remote controls was very easy to use.

12. The inaccessibility on on-screen menus and EPGs can be resolved in the following ways:

- by providing accessible talking (text to speech) output of on-screen TV listings information and of electronic programme guides; and

- by providing talking (text to speech) output of on-screen TV menus

13. Because the UK Government did not have the courage to mandate text to speech for the Digital Switchover Help Scheme set top box when it specified the Core Receiver Requirements, blind and partially sighted people who can not access information on the TV screen are currently faced with digital television that is inaccessible. As a result, RNIB have had to invest over one million pounds to prove the concept, develop a text to speech digital TV product and bring a solution to the market.

14. Three regions of the country have now fully switched to digital television, most recently Granada, and blind and partially sighted people in these regions who can not see the TV screen do not have equipment that enables them to independently use the digital TV on-screen programme guides and menu systems. RNIB urges the government to ensure that the registered blind and partially sighted people who need a more accessible solution are retrofitted with a more accessible solution as soon as it becomes available, and that the more accessible solution with text to speech will also be made available to new recipients of the help scheme as soon as it is on the market.

15. Finally, the television switchover public communications campaign has been successful in ensuring that the key messages around switchover have been received by the majority of the population. There have been changes made to the literature circulated in relation to the Helpscheme following consultation with consumer organisations, including RNIB, which we have welcomed. However we think it would be beneficial to also advertise the help scheme and its benefits on a national scale, as many people still do not seem to realise that the help scheme equipment design and assistance is tailored to their needs and therefore do not realise the benefits the help scheme might have for them as compared to a high street purchase.

8 Audio Description (AD) is a free and existing service that can transform the enjoyment of TV for people who have difficulty seeing what's happening on the screen. Like a narrator telling a story, an additional commentary describes body language, expressions and movements, making the story clear through sound.

9 Ofcom (25 July 2008), People with visual impairments and communications services, research document. http://www.ofcom.org.uk/research/tv/reports/visual/visual.pdf

5. Suggestions in Relation to the Government Plans for Switchover to Digital Radio

16. RNIB commissioned research into the design of DAB radio sets. This research highlights the needs of blind and partially sighted people and those with dexterity problems and the gaps in usability of equipment overall.[10] The inaccessibility of the majority of devices on the market was highlighted, as well as the high cost of the equipment that has some accessibility features that would be of use to partially sighted people.[11]

17. The I2 Media research highlights that blind and partially sighted people rely more on radio for entertainment, information and company than sighted people and that blind and partially sighted respondents tend to own more radios than the sighted respondents.[12]

18. Just as is the case with digital TV, digital radio equipment is much more difficult to use than analogue radio equipment, and with the design trend to provide more information and navigational features via a screen, the same problems that blind and partially sighted people have with digital TV are re-occurring. They can be remedied by the same solution: text to speech output of menus and on-screen navigation guides. The results of the I2 Media research show that 90% of blind and partially sighted people using a digital radio without talking menus need help the first time they use their digital radios. 70% continue to need support for subsequent use, whereas this figure is less than 20% in the general population. The research also shows that talking menus gives blind and partially sighted people a level playing field and allow for independent radio use.[13] However, equipment will full voice output and talking menus is to date not available in the market, and there are no indications that it would become available any time soon. This is therefore a gap that would need to be filled by a government help scheme.

19. In 2008, The Consumer Impact Group subgroup of the Government Digital Radio Working Group (DRWG) reported on the consumer issues of the switch to digital radio.[14] RNIB, as well as other organizations representing vulnerable consumers, contributed to this report and its recommendations should be implemented as the government progresses its plans for digital radio. The key recommendations about usability and about the assistance that blind and partially sighted people and other vulnerable groups would need with a switchover are quoted below.

20. Before migration could begin, additional research into radio users who are disabled, older people (both over 65 and over 75) and consumers from low income households is essential, since these people are likely to require particular assistance with migrating to DAB. This research should inform the development of plans for a help scheme, for effective labelling, for information and education campaigns and for developing easy to use products.

21. The findings and design recommendations from the independent research conducted for RNIB by I2 Media are endorsed by this group. The group urges the DRWG to ensure that these design considerations are taken into account in a possible help scheme, to ensure that the equipment that blind and partially sighted people have at switchover is fully accessible and usable given their specific needs. In addition, the group recommends that the design checklist items be considered in any future discussion about kite-marking of digital radio equipment.

22. In the absence of the finalised cost benefit analysis at this point in time, the group recommends that the cost of converting to digital radio for the average household, as well as the affordability for low income groups should be investigated. In addition, the current take-up amongst older people, disabled people and low-income households needs to be investigated. The group urges extreme caution with migration to digital radio should the uptake in these groups be found to be low or should the costs be considered to be prohibitive by any of these groups, unless an appropriate help scheme is in place.

23. The Group felt it important that a help scheme is available to all groups of people who need help with migration. The help scheme would need to also consider what sort of help it was providing ie DAB sets that are usable and accessible for the target group as well as learning opportunities and ongoing assistance on how to use them. Government should recognise and include the charities working in this area.

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[10] Freeman, J, Lessiter, J and Ferrari, E. (2008) Research report: *Are you really listening?* The equipment needs of blind and partially sighted consumers for accessible and usable digital radio. *See* website http://www.gold.ac.uk/media/i2_RNIB_AreYouReallyListening.pdf

[11] 15 DAB receivers were evaluated by Ricability in 2009. The product with the most accessibility features for partially sighted people was a Roberts Radio that retailed for £160. For the full evaluation reports see http://www.ricability.org.uk/consumer_reports/at_home/digital_radio/

[12] Freeman, J, Lessiter, J. and Ferrari, E. (2008) Research report: *Are you really listening?* The equipment needs of blind and partially sighted consumers for accessible and usable digital radio, pages 45–46.

[13] Freeman, J, Lessiter, J and Ferrari, E. (2008) Research report: *Are you really listening?* The equipment needs of blind and partially sighted consumers for accessible and usable digital radio, pages 90–93.

[14] Digital Radio Working Group (DRWG), Consumer Impact Group http://www.culture.gov.uk/images/publications/Consumer_Impact_Group_Report_to_DRWG.pdf

24. The group recommends that a kitemark or logo scheme would help to increase consumer confidence and be considered by the DRWG for early implementation. It should be backed by rigorous standards of performance for the products and should include criteria on future proofing, accessibility and usability for all, and energy efficiency information.

6. Summary of Key Points

25. Research evidence shows that blind and partially sighted people heavily rely on television and radio.

26. The digital television switchover help scheme has ensured that more blind and partially sighted people than before have access to audio description.

27. The digital television switchover process has let blind and partially sighted people down because it does not provide an accessible talking solution for on-screen television menus and television programme guides. This has to be remedied as soon as an accessible solution becomes available, by retrofitting those blind and partially sighted people who have already switched with a more accessible talking solution and by offering the talking solution to help scheme recipients in those regions that are about the switch.

28. The benefits of the digital switchover help scheme should be more clearly communicated on a national scale.

29. Research evidence shows that there are specific consumer needs that must be addressed in relation to the usability of DAB radios, not only for blind and partially sighted users, but also for users with dexterity problems.

30. As digital radio equipment is more complex to use than analogue radio, blind and partially sighted people need text to speech output of menus and on-screen navigation guides to enable them to independently use their DAB radios.

31. This situation is recognised by other organisations in addition to RNIB and should be addressed in a digital radio switchover help scheme.

31 January 2010

Examination of Witnesses

Witnesses: Ms Alison Hopkins, Principal Policy Advocate, Consumer Focus; Mr Tim Leech, Chief Executive, W4B; Ms Leen Petré, Principal Manager: Media and Culture, Royal National Institute of Blind People, and Chairman of the Consumer Expert Group on Digital Switchover; and Ms Sarah Shannon, Regional Adviser (Services)—North West, Age Concern and Help the Aged, examined.

Q424 ***Chairman:*** Good morning. Welcome. You know by now what we are doing. We are looking at digital switchover as far as radio and television are concerned and seeing how far the process has gone and what progress is really being made. It might be advantageous for us all if you could explain the role of your different organisations and say a word about how you are involved in digital switchover for both television and radio.

Mr Leech: Good morning. My Lord Chairman, I am Tim Leech. I am the Chief Executive of W4B, the radio and TV charity. We used to be called Wireless for the Bedridden. Our involvement has been very much through the CEG. We have also produced a help scheme and done that help scheme for the last 70 years. It was set up in 1939 by the BBC to help people access a radio when they could not get out and about from their homes. We have that same sort of ethos today, but in the far more modern context of trying to banish isolation and loneliness.

Ms Petré: My Lord Chairman, I am here for RNIB. RNIB, as you are probably aware, is a membership organisation representing the interests of blind and partially sighted people. We have been involved in this area also mainly through the Consumer Expert Group for digital switchover. The remit of that group initially was around digital television switchover and we have heavily advised the Government through that group on a switchover help scheme for digital television. That group's remit has been broadened and we are now also going to be advising the Government on digital radio switchover in the eventuality of such a decision being made.

Ms Hopkins: I work for an organisation called Consumer Focus, which is a generic consumer policy and advocacy organisation, looking out for the interests of consumers in general across the UK both in the public sector and the private sector. It was formed from an amalgamation of three predecessor organisations: Energywatch, Postwatch and the National Consumer Council. I previously worked for the National Consumer Council and it was while working there that I started to be involved in work on issues digital. It started really with the idea of migrating public services on to digital format, so online public services, and our concern at that time, and still, through switchover of both television and radio is with those people who may struggle with

10 February 2010 Ms Alison Hopkins, Mr Tim Leech, Ms Leen Petré and Ms Sarah Shannon

these technological developments and who do not really know much about how to navigate their way around. That is our interest in all of this, and it goes back a long way.

Q425 ***Chairman:*** Consumer Focus is a separate organisation from the National Consumer Council?
Ms Hopkins: That is right. In effect, the National Consumer Council has now closed. Part of their work has transferred into the new organisation which is called Consumer Focus. We have taken on some of their policy responsibilities and my work on some of the digital issues. The Consumer Expert Group is now under their umbrella.

Q426 ***Chairman:*** Thank you very much. Sarah Shannon.
Ms Shannon: Thank you. I work for the merged charity Age Concern and Help the Aged. I work in the North West, in developing services in the North West. Age Concern in the North West had the main contract with Digital Outreach to provide outreach services not just to older people but to all categories of vulnerable people, to ensure that they knew about switchover and were prepared for it.

Q427 ***Chairman:*** Thank you very much. Let me ask you all an initial question. What do you think the advantages are of digital switchover as far as radio is concerned? We have had much more evidence on radio than we have had on television, to be honest. I just wonder how you evaluate it. Do you see enormous advantages in switchover to digital radio as far as the consumers whom you represent are concerned?
Mr Leech: I have to say I cannot see any advantage for the consumer. As yet, I feel the research which has been done, particularly the report which was commissioned by Ofcom on a cost-benefit analysis, does not seem to show any consumer advantage which could not be delivered through FM. I am yet to be convinced.
Ms Petré: From an RNIB point of view, it feels that there is an awful lot of rush around this area, which feels unnecessary. We are concerned that there might be serious disadvantages for blind and partially sighted people, and that is why we are taking the view that if there is a government policy to switch to digital radio then, in parallel, there needs to be a government policy to ensure that there is a help scheme because, as you are probably all aware, digital radio is much more difficult to use and operate than analogue radio. For 91 per cent of blind and partially sighted people that is their favourite pastime, so it is really important for us, if the Government makes such a decision, that looking after the interests of blind and partially sighted people is not just left to the market because that will mean a lot of those people will not be able to enjoy what they have been enjoying so far and what is absolutely really important for them.

Q428 ***Chairman:*** You say, "if the Government makes such a decision". You do not feel that it has already made that decision?
Ms Petré: The Government has made a decision that is based on a range of criteria being fulfilled and my recollection is that one of those is that 50 per cent of radio listening is digital. We looked at this issue with members of the Consumer Expert Group and fed our views into what was then the DCMS Digital Radio Working Group. I do not think our view on the criteria was fully taken onboard. Our consensus view, across the organisations that participated in those discussions, was that 50 per cent is very low. If you look at it realistically, 50 per cent of digital listeners, because it is so low, is very unlikely to include a lot of older people or a lot of disabled people or a lot of low-income people. It is a very dangerous figure to work with.

Q429 ***Chairman:*** The most vulnerable might be in the other 50 per cent.
Ms Petré: Absolutely.
Ms Hopkins: Our views are very similar to the views that Leen has just expressed on behalf of RNIB. It is difficult to see what the consumer interest is in a switch to digital radio as things stand at the moment. We were sent some questions to think about in advance of today's hearing, and one of the things was to look at what the costs and benefits might be, and it was difficult to come up with benefits other than a potential increase in the number of channels. What is the value of that to individual consumers? I am not sure. It is pretty limited, pretty niche, I would imagine, otherwise there would be more interest in buying digital radios and in digital radio listening, and currently it is at a relatively low level.

Q430 ***Chairman:*** You are happy with the present position, in fact. You do not have a vast dissatisfaction with that?
Ms Hopkins: No. The only dissatisfaction—and I do not know what the technical fix would be—is that the sound quality and reception on digital is not all it is supposed to be, so there would be an argument for looking at that and strengthening signals. At the same time I do not think that there is any question that strengthening a digital signal would necessarily impinge on analogue. There is a technical fix there. It is not like television, where you need to clear the airwaves in order to get the digital signal out there that is sufficient to cover the country. I think it would be perfectly feasible to run both analogue and digital at full strength, as it were, at whatever strength you

need to get the coverage. The challenge to that comes from the industry side, because they feel it is too much of a financial burden for them to have to broadcast on both digital and analogue, but from a consumer point of view that is not a problem at all.

Q431 ***Chairman:*** Sarah Shannon, what do you think?
Ms Shannon: I would echo very much what Leen said. My understanding is that the average older person has several radios, maybe as many as five within their homes, so we would be concerned about the issue around expense and having to change lots of radios. There is the issue around understanding what is coming. That was certainly an issue with digital television switchover: people did not really realise what was happening until it was nearly upon them and finding the right equipment became an issue.

Q432 ***Lord Maxton:*** I do not know what the benefits are, but one of the areas of digital as opposed to analogue is interactivity, the ability to do other things rather than just listen to the radio. Does that not in any way benefit the consumers you represent, that ability to order something from a shop or whatever on your radio?
Ms Petré: From the perspective of blind and partially sighted people, it would always be as if that functionality was not there because it is completely not accessible at the moment. Some of that interactivity would rely on the user of the radio being able to see the information on the screen and navigate through menus on the screen. If none of that is made accessible, then the option to make use of that extra functionality is not there for blind and partially sighted people.

Q433 ***Lord Maxton:*** During the debate Lord Low raised the issue of the use of voice controls as one way, anyway, so that you are told how to work the device. He thought that would be essential if there is going to be digital switchover. Is there any work on that being done?
Ms Petré: There is not any equipment in the market at the moment that has that functionality. There was equipment that had a limited functionality in that respect, but that is no longer being made. It was made by one of the leading manufacturers, by Pure. My understanding is that when they stopped that product line they decided not to incorporate that bit of technology that would speak out menus and speak out information on the screen into their next product lines.

Q434 ***Baroness McIntosh of Hudnall:*** Going back to this issue about dual transmission, I have to say, speaking entirely personally, that I have a great deal of sympathy for what you have been saying about the absence of consumer benefit, but we are where we are: there is digital radio and there is an industry wherein revenues have fallen quite dramatically in the last two years, so there is clearly a financial issue for broadcasters about whether they can go forward having to operate both digitally and on FM. Whilst I understand it is not your business to speak for them or to find solutions for them, do you have any response to that quite reasonable and, as far as we can tell, legitimate worry that they have about leaving the FM spectrum open to all-comers, as it were?
Ms Hopkins: As you say, in a way it is a commercial decision and we do not necessarily have a strong view one way or the other. If the Government's decision is to take advice from the commercial sector and decide that it would be better to go all digital or not, as it were, then so be it. It would at least give consumers some clarity. It would then be an imposed change, similar to that of digital television switchover, with some considerable impact on consumers. I know the cost of digital radio receivers is not quite as expensive as digital TV receivers, but nonetheless it would be an imposed change. There will be people who will want to replace more than one radio—it is not just older people who have lots of radios in their houses—and there are some issues to do with usability around digital radios. If you have never had any experience of that kind of thing, using a digital radio is not as intuitive as the people who have worked on them from a design point of view think it is. The Consumer Focus view would not say necessarily that digital is bad and should never happen because consumers do not want it. It is more that consumers do not want it and so, from our perspective, we cannot really see what all the fuss is about and why it is so important. If it did change, then we would want to see a lot of other things come into place.

Q435 ***Baroness McIntosh of Hudnall:*** You may be moving towards the shape and scope of the help scheme as the essential matter.
Ms Hopkins: Help scheme and product design.
Chairman: We will come on to that.

Q436 ***Lord Inglewood:*** I initially thought you were saying, "Digital radio? Frankly the Government should just pull all its plans", but I now think you are saying that the groups you specifically represent have problems which means that it is not, as you see it, in their interests. That is the first part of my question: which of those two views are you espousing. Second, arising from it, given that it looks as though the Government is going to go ahead with the process towards DAB, has the involvement of the Consumer Expert Group been of any help, hindrance or what? What do you think specifically ought to be done to

look towards and deal with the concerns and interests of those you see yourselves representing?
Ms Petré: It is very much your second view, Lord Inglewood, that it is not in the interests of the consumers whom we represent. If there is a government policy to go ahead with this, that means we have an interest in making sure the Government puts some mitigating plans in place to ensure that those consumers who, because radio is so important for them, are going to be more affected than the average person in the street, measures are put in place to make sure this does not have a negative disproportionate impact on them.

Q437 ***Lord Inglewood:*** It is no part of your case that it does not provide any benefit to any consumers anywhere?
Ms Petré: I think we are more concerned with the impact on vulnerable consumers and mitigating that, yes. Is that fair?
Ms Hopkins: Yes.

Q438 ***Baroness Bonham-Carter of Yarnbury:*** Mr Leech, did you say that digital radios were more difficult to use?
Mr Leech: I did not, but I totally agree with that, yes.

Q439 ***Baroness Bonham-Carter of Yarnbury:*** In what sense?
Mr Leech: If you are faced with an FM radio that you have been using for quite some time, maybe up to ten years, they have a general layout and you are generally familiar with that. A lot of people I deal with it, who are not getting out and about, who do not have access to the internet, do not know what a digital radio looks like. Taking a comparison with digital television, they were totally fazed by how you turned it on. It is those control mechanisms which are difficult. The only place where there are similarities, where they probably have had an interface with that, is maybe with a car radio in terms of digital tuning or tuning in by scanning frequencies. There are also things like controls which you just press to get up and down volume, you search through, you have pre-sets. It is knowing that you have to hold down the button otherwise you do not hold down the button.

Q440 ***Baroness Bonham-Carter of Yarnbury:*** It is a matter of learning a new technique.
Mr Leech: It is a matter of learning a new technique, but my colleague from Wireless for the Blind Fund will say that she sends people out radios and then will send people out to train. People are trained in the use of those radios. It could be three visits initially, but they are often called back to retrain somebody. Especially when you are dealing with an older generation, your learning process does drop off and it is quite difficult to do that. There is quite an intensive support mechanism which has to go with a new piece of equipment.
Ms Shannon: Could I add to that our experience of the television switchover? Over the days of switchover we had drop-in centres and on a number of occasions we had people coming in saying, "I can't get my television to retune" and it was quite simple: they had the wrong remote in their hands. They were trying to retune the television, when they should have been tuning the digibox. It is at that basic level that some of the people we work with need support. The idea of more and more complicated radios begins to fill me with fear because it is something else that is complicated, that people will struggle to understand how it works. As you say, if you are used to a radio for ten years and suddenly it is very different, I can just see that it is another jumble of the remotes that people will have.
Ms Hopkins: From our perspective, I would suggest it would possibly be a transitional effect, but again it comes back to the issue of what kind of support in a help scheme and wider support would come into place. The other difficulty that many people struggle with on digital radios is the nature of the display. It is difficult to read on those digital radios: the contrast is not good, the size of the script is in a tiny little box. That would limit any interactivity that I would want to engage with on a digital radio, for sure. There are a lot of off-putting features, which is why getting the design of digital radios right for people rather than right for product designers would be something that we would want to build in to any future development on the digital radio front.

Q441 ***Baroness Bonham-Carter of Yarnbury:*** Picking up on what Sarah Shannon was just saying and moving to television switchover now, you said in your written evidence that there were "hidden complexities" in television switchover. We have been hearing that television switchover has been a great success. Do you, on the whole, agree with that?
Ms Hopkins: As I said at the beginning, when switching to digital television, and if and when there is a switch to digital radio, most people will switch and maybe there will be a few hitches. Most of my colleagues, and even people who are used to using technology, have the occasional hitch with digital devices. It is in the nature of them. You get tangled up with the remotes, something freezes on the screen, but they know not to panic and they know not to keep pressing buttons and making matters worse. They know that they have not broken it, that it is a case of being patient and perhaps trying a couple of other things. There are people for whom this whole world is so alien that they do not know where to start. In that awful phrase of Donald Rumsfeld's, there are

"unknown unknowns". You are talking to consumers about what they might need in advance of a switch to digital and a change in equipment, and because they do not know what this thing is or what they might want to do with it, it is very, very difficult.

Q442 ***Chairman:*** Sarah Shannon, to answer Lady Bonham-Carter's question—she asked whether it had been a success—how would you evaluate it, because you have had experience of television?
Ms Shannon: Largely, I would say, yes, it was a success. It did go smoothly. Most people switched without too many issues. There are some big issues that I would like to raise. One is around retuning support. There were a lot of people who needed support with retuning and that was difficult to get. The other issue which is ongoing is the overlap with Welsh television. A lot of people are having problems because they are getting Welsh television instead of Granada.

Q443 ***Baroness Bonham-Carter of Yarnbury:*** We were told that had been resolved. Obviously not.
Ms Shannon: My understanding is that people are having to retune regularly because their boxes switch back again. Certainly my neighbour is giving up. He is going to go to Sky. That is just a perfectly intelligent middle-aged man.

Q444 ***Chairman:*** The intelligent box has decided that it wants Welsh.
Ms Shannon: Yes, because we are nearer to Wales than to the Winter Hill transmitter.

Q445 ***Baroness Bonham-Carter of Yarnbury:*** Perhaps I could ask the other two of you, specifically on television, what your experience has been.
Ms Petré: On television, for consumers generally, I would like to echo what has been said: retuning has been a problem and the fact that they need to retune. It is not one event: if your box freezes, you need to retune as well. The other area that has been a bit of a challenge for consumers generally, particularly the less technically savvy consumers, is choosing a piece of equipment and getting information. Do I need a box? Do I need something integrated? What is high definition? Do I need high definition? That has been a problem for consumers as well. Generally speaking, it has worked reasonably well. I would say, though, that it has not worked well for everyone. Digital television switchover has not worked well for blind and partially-sighted people who have insufficient sight to be able to use the information on the television screen, and you need that information in a multi-channel environment to be able to know which channel you are on and to know what programmes are on and to make your selection. For those people, it has not worked.

Q446 ***Lord Maxton:*** Again there is no voice recognition.
Ms Petré: Indeed. Actually it mirrors the problems that we have received for digital radio.
Chairman: Let us go on to the help scheme, first of all, for television.

Q447 ***Baroness McIntosh of Hudnall:*** If we leave aside the general issues that affect lots of people who do not necessarily have the challenges that some of your clients have and look specifically at the way the help scheme for television was designed, was it in broad terms a good scheme? Did it set about addressing the problems in the right way? Are there obvious ways in which, looking forward to the possibility of needing another one for radio, it could have been improved? Of course, the issue that greatly interests lots of people is the fact that there appears to have been, and is likely to be in the future, a large underspend on the funds that were provided for the help scheme, and it would be interesting to know whether you have any observations about that. For example, was that because people got on and did their own thing and did not need the help, or that the help was not easy to access, or that perhaps there is going to be a greater degree of take-up in the remaining two years of the scheme than there has been in the three years that it has been operating up to now?
Mr Leech: I would like to pick up on the under spend. One of the things I have raised very much in relation to the help scheme is the way it is advertised. If it is advertised after general switchover, I have always been worried that this will place people who are quite vulnerable in a difficult position. They would be worried that there was a switch and that they did not know what was happening, and they would go out and buy equipment which was not necessarily the best, they would invest in poor quality equipment. There can be vast differences between the types of receiver chips, vast differences between how they are retuned. There is a large technical problem in Granada because a lot of the boxes that have been produced were produced in Turkey, and it happened at the particular time when we found great difficulty contacting the manufacturers to say, "How do we get this to update with the software?" There is also an issue, when you look at the figures of the help scheme, in terms of who is taking up that offer of help and the understanding of what that help means. They are mainly over 75. They are generally at the older end of the spectrum. It is fantastic that people have got that help and support, but it does worry me whether that message is getting out early enough. I think it is

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forcing people to buy equipment and they do not necessarily know whether it is the best equipment. They become vulnerable to mis-selling of what are called digital aerials, though a normal aerial will do, and this does not seem to be sorted out. That is one area I would like to raise. I would say, therefore, that any help scheme in terms of radio should be advertised at the same time you are advertising the switchover if there is to be one, so the under spend should be less. There was a lot of worry about take-up to begin with. People were very cautious and therefore only did it on a regional basis.

Q448 ***Chairman:*** What do the others feel?
Ms Petré: In a broad sense, I think a digital television help scheme has worked. Obviously there is that caveat that I mentioned earlier for blind and partially sighted people. I do agree with what Tim has said about the fact that it should have been advertised on a national scale much earlier. I do think it was not done because there was almost a fear that take-up would be too high. I think the shape of the help scheme, which was largely based on advice and discussions that the Consumer Expert Group had with the Government, and then again based on our experience with the groups that are covered by the help scheme, is the right one. In my mind, it consists of three components: there is a piece of equipment that is more usable for the target group than what is available off-the-shelf in the mainstream retail environment and especially procured for that purpose; there is support with installation of the equipment in your house if you need it and there is ongoing telephone support as well; and there is training in the use of the equipment if that is what the help scheme recipient requires. Those three elements have worked really well and would also be absolutely necessary for a radio help scheme. In terms of the uptake, at the end of 2009 the help scheme had delivered assistance to a quarter of a million people—which was far less than what was expected—but the feedback I have had from discussions with the people who are delivering the help scheme is that quarter of a million people absolutely needed the help scheme and they would not have been able to make the switch to television without it.

Q449 ***Chairman:*** What happened in the North West?
Ms Shannon: Generally we felt the help scheme was very good. The staff were very professional, friendly, efficient. We had lots of good stories about the help scheme. There were initial problems in ringing in, it took people a long time it get through, but a second call centre was set up, so that really helped, and response times became good. There were a number of reasons why people did not use the help scheme. Partly it was the criteria. People had to be over the age of 75 and I do have concerns about that. There are plenty of people under the age of 75 who are not eligible for the benefits that also made them eligible to the help scheme who did need the support. If there is an under spend, that could be an area that could be looked at in the future of extending that age range. The big issue, though, was that a lot of people already had digiboxes. Friends or family gave them to them for Christmas presents, birthday presents, or friends looked at the help scheme letter and said, "£40 is a lot for a box" which is what they saw as the offer, "It is a box", they did not really look behind all the extra support that came with it. I think there was very little awareness of the need to retune and the support that was needed for retuning. It seemed quite an expensive offer when you could go to Asda and get a box for £16 or £20. It tended to happen that family would buy a box, set it up, and say, "There you are, you're all set up now for switchover", when in fact they were not because they then had to retune. I think that is going to be an even bigger problem as switchover goes south or across the west or east because more and more people will buy digiboxes anyway for their families.
Chairman: Let us switch, if we may, to radio and see what we can learn there. Lady Howe.

Q450 ***Baroness Howe of Idlicote:*** The first message that I have picked up is that definitely a help scheme, given that there is switchover—and I think we have heard you say that you do not think it is justified, but, nevertheless, being realistic it is likely to happen—will be necessary.
Mr Leech: Yes.
Ms Petré: Yes.

Q451 ***Baroness Howe of Idlicote:*** The other message that comes over clearly is this need to have a prolonged period where the help is available.
Mr Leech: Yes.
Ms Petré: Yes.
Ms Hopkins: Yes.
Ms Shannon: I would add afterwards, as well, because the help scheme is only for a month after switchover, but I think there will be people who will wake up to it, certainly as switchover is happening and probably beyond, but they only have a month to do something about it.

Q452 ***Baroness Howe of Idlicote:*** What about this issue of the Digital Switchover Community Outreach Programme helping the 70 to 75s, again another area of the group you mentioned. Would that be necessary for radio too?
Ms Shannon: Yes.

Ms Hopkins: Yes, I think the help scheme and a digital outreach mechanism of some description, again learning from what has happened in television, would probably be the best combination. Let us not lose the things that Sarah said, that in any help scheme we might want to have more open discussion about what the criteria were, because it is very narrow in television.
Ms Petré: I would agree with that. Before making any decision about whether an outreach programme is necessary, you really need to look at how can we ensure that the eligibility criteria for a radio help scheme are broad enough. I remember discussions about the age limit, for example, for the television help scheme and the age limit that the Government decided upon was not the age limit that our Consumer Expert Group recommended. I think we recommended 65. Also, in terms of RNIB and the outreach programme, I think the outreach programme has added value for other groups but I do not think it has added that much for registered blind and partially sighted people and we have set up our own system of alerting people to switchover and helping them with the process

Q453 ***Baroness Howe of Idlicote:*** I am hearing you say that there needs to be much more involvement of the specialist groups who are helping those with particular disabilities.
Ms Petré: That is right.

Q454 ***Baroness Howe of Idlicote:*** Then we come to the question of funding. I was there when Lord Low gave his evidence the other day, and it is quite clear there are some ideas of how, if there is switchover, this could be done for those who are blind and partially sighted. One of the ways, obviously, for the partially sighted, would be to make it possible to see whatever the guidance is in much larger letters. As far as the other group are concerned—because this will be very expensive—where should the funding come from? What is your estimate of just how much it is going to cost? Inevitably it will be a limited group of people. Should this be total government responsibility? Should the radio and television industry help pay for it or a proportion of it? Do you have any ideas?
Ms Petré: This is the first time that we are having an in-depth discussion about the possibility of a help scheme. We have not talked about where the funding ought to come from. Also, when the Consumer Expert Group was advising the Government on the digital television switchover help scheme, we did not feel that it was our responsibility to help the Government make a decision on where the funding ought to come from. Maybe that is dodging the question, but a lot of models could be looked at. Maybe there are models where the costs can be shared between the Government and the private sector and so on, but I suppose what I am saying is that would be very much for the Government to negotiate rather than for the Consumer Expert Group to say we prefer one model over the other.

Q455 ***Baroness Howe of Idlicote:*** Clearly the third sector is hugely involved in all of this and no doubt has seen it needs to be more involved. Is there enough joined-upness between the third sector specialist areas? Is this another of the lessons that need to be learned as and when and if—and I suspect it is when—digital switchover does happen.
Mr Leech: I think the Consumer Expert Group has been fundamental at bringing us together to facilitate the switchover. If it had not been there, Government would have struggled and the departments working with it and also the quangos which have been set up. I think we are in a slightly different position where radio is concerned. That is something we have discussed, because for some groups it is more important, more relevant to us, and we have more concerns about it. My concern is whether my charity will be able to provide ongoing support after switchover has happened. I get inquiries now from regions that switched six months ago about ongoing support. I feel Government and industry need to look at paying that bill. If they have created a situation, which I do not necessarily feel is a situation which is logical one, I can see it is an advantageous one for industry and one which will cut its costs and help it, it is the consumer that we are here, I feel there should not be any imposition upon the consumer of that extra cost, especially in this economic climate. Another thing which may be looked at is a levy upon the industry across the digital sector and taking a percentage out, very much as happened within Europe. It seems that we set up the grounds for commercial advantage in this country for the media and do not replace it back for society. I strongly feel there is a two-way street. Consumers are going to be forced down a particular road. They have to have benefits from that and there has to be balance. If it is for the overall economic good of society, let us do it, let us make it work properly, and let us find the proper funding mechanism. I am also very aware that lots of people have their eyes on the consumer help scheme budget that was taken off the BBC. I do not want to go into it politically, but there are about three or four people who are saying, "We will use this to do A, B and C."
Chairman: Yes, this Committee included. Let me bring in Lady Eccles.

Q456 ***Baroness Eccles of Moulton:*** I would like to return briefly to the Committee Outreach Programme for television. Just to be clear about its

history, it was commissioned by Digital UK to deliver the outreach programme and it is a partnership of Age Concern, Help the Aged, Community Service Volunteers, et cetera. Did Digital UK realise at some stage that in fact the cut-off that we have been talking about for the help scheme was too abrupt and not sufficiently embracing the needs that could follow on? We have really established that, have we not? Was this an afterthought, as it were?
Ms Petré: Yes.
Ms Hopkins: Yes, very much.

Q457 ***Baroness Eccles of Moulton:*** The gap was recognised and Digital UK woke up to it and really came to a collection of organisations and said, "Would you help?" There is a budget, is there not?
Ms Hopkins: There is.
Ms Petré: Digital UK's budget is paying for digital outreach.

Q458 ***Baroness Eccles of Moulton:*** Is it working well? How could it have been anticipated so that, in fact, it could have been much smoother as a follow-on from the original help scheme? If you were going to design it now, what would you do that would make it more effective?
Ms Shannon: There were issues in that there were a number of people on the ground from the Help Scheme trying to raise awareness and a number of people on the ground from Digital Outreach or Age Concern, as the main contractors, trying to raise awareness. There was a certain amount of overlap in that the same groups would be contacted more than once. There is certainly a need to look at that and to make it more co-ordinated, so that we work more together in raising awareness of the whole issue and not just one bit or the other bit. Generally the outreach scheme did work well. The principle of using voluntary organisations and the community sector and getting out into the small groups worked very well. One of the difficulties was that the model, the expectation, was that lots of community groups would be trained and they would go on and tell everyone in their group about it. The reality was that the people who came to be trained were not really confident enough to suddenly start off doing presentations and so on. They were happy to give out information, happy to give out leaflets, but they wanted us as the contractors to go and do presentations, so we had to work a lot harder for our money than perhaps we initially expected. I think that was reasonable because the people we had working on it were working several days a week over six months and really did get a high degree of experience, so for them to go and talk to the coffee groups, the lunch clubs, whatever, made more sense than someone who had been on half a day's training. The grant scheme as a result was underspent—I think by 50%—because the expectation was that the organisations would put on events and tell people about it, whereas in fact we tended to go along to events that were already happening and do it like that. We did not get paid enough to cover our costs, so I would suggest that in the future more money goes into lead workers who are on the ground and have that experience and less money into the grant scheme, but then potentially that the grant scheme focuses more on retuning as well.

Q459 ***Baroness Eccles of Moulton:*** The Help Scheme itself was being implemented by the voluntary organisations.
Ms Petré: The outreach scheme.
Ms Shannon: No, the outreach scheme.
Ms Hopkins: Just the outreach scheme.

Q460 ***Baroness Eccles of Moulton:*** Really the two should be integrated.
Ms Hopkins: There is an argument for integrating them, definitely. That is what I was implying when we talked earlier about the help scheme and what the cut-off should be and how the two would work together. At the moment there is not that smooth transition. Because of very strict eligibility criteria for the Help Scheme, it comes to a stop and there is not a nice handover.

Q461 ***Baroness Eccles of Moulton:*** It is all the same work, is it not? You are doing the same thing.
Ms Shannon: Yes.
Ms Hopkins: We can learn a lot from what has happened so far.

Q462 ***Lord St John of Bletso:*** My question is a much more general question on the communications campaign. Do you think that the digital switchover communications campaign has been successful, particularly in getting its key messages across to the bulk of the population? In the submission we had from Consumer Focus they said there is no single authoritative source of information and advice for consumers and that responsibility for communicating the switchover programme has been fragmented. Would you agree with this assessment?
Ms Hopkins: That was my paper. Perhaps I can answer in two ways. First, I think the Digital UK communications programme has by and large been successful. One of the reasons is that they have been prepared to take advice and adjust their communications campaigns as time has gone on, and, as the Consumer Expert Group, we have been very heavily involved in that. In terms of the generic leaflets and targeting the regional switch and getting messages onto radio and television about the date of

switchover and that people have to do something, that was very good. The more complicated, more detailed questions that we would have as individuals—What are my options? What is the best for me? Should I go for something that is satellite, which may not be my initial inclination, because digital terrestrial is the norm, in a way?—it is quite difficult to know exactly where to go to get those questions answered. A lot of the information is online and not everybody can access that. Although consumers will use point-of-sale information and some of that information is useful, it is almost too late when it gets to the shop because you are committed. Even though there are the advisers who have gone through the digital training and so have a bit more expertise in giving advice about digital, they are not always available, particularly if you are shopping at a weekend. The training does not necessarily cover looking at what people's individual and personalised needs are; it is more saying, "These are the three options, it is up to you, the consumer", whereas sometimes we need a bit more hand-holding and talking through than that.

Ms Petré: I fully agree that the Digital UK communications campaign focused on general messages: "You need to go digital and this is when it is going to happen in your region." It was incredibly effective in doing that. It is the underlying layer that they did not tackle and did not feel it was their remit to do. This is where consumers were then left, "Okay, we now know you need to switch. You need to prepare, so you need to go out and buy the right piece of equipment that suits your needs." Consumers were very much reliant on the retail level where that advice was not necessarily forthcoming. This is why people went out and bought digiboxes for their older relatives that were not suitable: that maybe did not have a subtitle button, that maybe had text on the screen that was not in the right colour contrast. The purchasing decision on digital television switchover—and I do think it will be similar for digital radio—is quite important and you need to think about a whole range of elements when making that decision. When you go to a retail shop, typically they will not have the remote control available for you to try out. That is just to illustrate the sort of thing we are talking about.

Q463 ***Lord Maxton:*** One of the big differences between television switchover and radio switchover is, of course, that you do not need a new television to switchover, you need to purchase a box. With radios, however, if you have five radios in your house, they are all analogue, at the point at which switchover comes they all become totally redundant and you have to get rid of them. The Government is suggesting or has begun to suggest a scrappage scheme. Do you think this will be of any benefit to your members and those you represent? This is the idea that you take your analogue radio to the dealer and they will give you something off a digital radio. This is what they are looking at.

Ms Hopkins: I am trying not to say that it is a bit of a sop to keep people happier. It is better than nothing is what we would say. Obviously it would depend on what the nature of the deal was, whether it is a 20 per cent discount, or whether you get eventually a very basic bog standard set that comes along and whether you would get that as part of the trade-in. It depends what the offer is on the day.

Q464 ***Chairman:*** To be fair, I should point out that I am not sure it is the Government making this offer; it is the industry making this proposal.

Ms Hopkins: Thank you. Also, would it just be a single set? Of course, digital switchover covers the main set, and although I suppose one could argue that we do not need more than one radio in our homes, typically we do have more than one radio, so just to be able to have the scrappage scheme for one set—and I dare not even tell you how many I have, but four or more sets—is not terribly satisfactory. It is mealy-mouthed proposal.

Q465 ***Chairman:*** We will take this up with the Minster I think might be the answer.

Ms Hopkins: Yes.

Q466 ***Baroness Bonham-Carter of Yarnbury:*** I was just listening to what you were saying about the communications campaign and, indeed, the help scheme. Of course, digital television switchover is an ongoing thing, we have not come to the end. Are they listening to you? Is the help scheme evolving? Is the communications campaign changing as they move into different areas?

Ms Petré: Yes and no is the answer. They have definitely listened to what we had to say about communicating with the most vulnerable people and the people who will have difficulty understanding the technology. They are also taking that into account when it comes to training their call centre staff and so on. We have repeated this suggestion to them a number of times that they should advertise the help scheme nationally. I do not think we have had a positive response to that.

Mr Leech: That came out with the Borders switch. When that happened, the Scottish Consumer Council made recommendations to Digital UK that they should be advertising the switchover help scheme on a national basis. We have always pushed for that. It does have some national adverts—it did for a very short period—and that needs to be expanded, otherwise we will again be making people vulnerable.

Q467 ***Baroness Bonham-Carter of Yarnbury:*** The suggestion of integrating you into the Help Scheme does not seem to have been taken up.
Mr Leech: No.
Ms Petré: The digital outreach scheme is different from the Help Scheme. The Help Scheme gives you your equipment, your support, your training and your aerial, if you need your aerial replacing.

Q468 ***Baroness Bonham-Carter of Yarnbury:*** I think you were telling Lady Eccles that you thought it should be more integrated.
Ms Hopkins: Definitely.
Ms Shannon: Yes.
Ms Petré: It should be more integrated, but they are separate things, because digital outreach is much more about providing people with additional information. The digital outreach model is good because it recognises that if you want to involve the voluntary sector in delivering something like this you need to have systems in place that pay the voluntary sector for their work and do not just assume that voluntary sector organisations will go out and mop up the remaining bit. I think that is a very positive element about digital outreach, but there is a question: have they put too much emphasis on local structures and, by doing that, have they ignored the national structures and what national structures could contribute?

Q469 ***Baroness McIntosh of Hudnall:*** Just on this issue of the retailers and what they are doing, perhaps you could just very quickly tell us to what extent there is a significant problem with misunderstandings, let us put it like that, as between retailers and their customers about the kind of equipment that people should be buying, and do you have any recommendations that you would like to put to us about how that can be improved in the future, particularly given that, as we have all established, when it comes to radio, we might be talking about an awful lot of new equipment needing to be bought?
Ms Shannon: We were actually pleasantly surprised because one of our major concerns was about mis-selling, rogue dealers, that sort of issue and yes, there were examples, but there was nothing like the amount of problems that we expected when we set out on doing the digital support. There were a couple of major issues: when one large provider provided a box without a digital tick on and another one which provided a box which had a tick, but it was self-enforced and it did not actually work properly, and both had to be subject to recall. So there were a couple of major incidents, but generally our feeling on the ground was that it was not as bad as potentially it could have been and as we feared when we set out.

Q470 ***Baroness McIntosh of Hudnall:*** So would I be right in thinking that you have not come across any examples of active mis-selling? There is a difference between people not being properly informed about what they are buying because they do not ask the right questions and somebody actively selling something as a thing that it is not, so you are saying that there is little example of that?
Ms Shannon: There were far fewer than we expected and, where there were, we reported them to Digital UK and they were dealt with quickly.

Q471 ***Baroness McIntosh of Hudnall:*** So that is the mis-selling aspect, but, when it comes to the way that retailers actually discuss the options, particularly with vulnerable consumers, do you feel that there are recommendations that could be made to the retail bit of the industry which would help to smooth over the sorts of problems that might arise there?
Ms Hopkins: One of the suggestions we made through the Consumer Expert Group some time ago was to add into the training modules that the retailers put their staff through a whole section on dealing with customers who have particular needs and to assume, in a way, not that people have particular needs, but to do more of an exploration with people when they are asking about equipment, so, "What kind of thing is it that you need? Would you like to try out one of the electronic programme guides or one of the remote controls?" and to really go into some depth about what the pros and cons of the different options are. That did not happen for various reasons, and it would not solve the problem because there is a limit to which retailers really want to invest in that kind of thing.
Chairman: I am going to cut in now, I am afraid, because we have run out of time. Thank you very, very much for coming this morning. I think we have learnt a lot. If you have got anything to add, on reflection, to what you have said, please let us know, but let us know pretty quickly. Thank you so much for coming and we found your evidence to be very important indeed.

Supplementary memorandum by Consumer Focus

This memorandum supplements the evidence submitted earlier by Consumer Focus. We would be happy to discuss any of the points we have made further with the Committee.

About Consumer Focus

Consumer Focus is a statutory body that champions the needs of consumers across England, Wales, and Scotland and, for postal services, Northern Ireland. We operate across the whole of the economy, persuading businesses and public services to put consumers at the heart of what they do. Consumer Focus has the power to take action where markets are failing consumers and to ensure a fair deal for all—especially the vulnerable and disadvantaged. As well as highlighting problems for consumers, we work with a range of organisations to champion creative solutions that improve consumers' lives.

1. Better Information for Consumers

1.1 Consumer power questions

Consumers need clear information about what their choices are when buying digital equipment, and it is difficult to find a single, authoritative source that explains what to look for and how to compare different products. Consumer Focus would like to see the production of an easy to read checklist that would prompt consumers about what digital products can deliver, explains the different features and help them to make better informed decisions. The Consumer Expert Group developed a set of questions that would inform decisions about buying digital televisions, which we called Consumer power questions.[15] Digital UK has used a version of these questions in some of their own consumer guides but they have been split up into different topic areas, and are mostly available online, which makes them less useful.

We strongly believe that the questions such be available all together as a self-contained document and disseminated widely, particularly at point of sale and for example through public information points such as libraries, through consumer organisations, and local community organisations. They should also be given prominence in publicity campaigns about switching and be accessible online.

In the event of a switch to digital radio a similar list could be developed, drawing on the expertise of the Consumer Expert Group, Ricability, and others.

As an incentive for retailers to display the leaflets prominently they could be integrated into the requirements for accreditation for "digital tick retailers" and for staff training too.

2. Digital Tick

The digital tick is a striking and simple logo used in all DUK's promotions, across products, services and retail. It signifies a level of accreditation or approval but there is no easy way for consumers to find out what lies behind the tick. For example, when it appears on a product it just means that it will work at switchover. It doesn't give any details.

Consumer focus believes the tick scheme would be much improved if it was used in a more sophisticated way, providing more in-depth information but without diluting the value of the tick. For example, we discussed the idea of using a scorecard approach to indicate a product's range of features, such as whether it had Audio-description, an easy to use Electronic programme guide or remote control, and whether it needed extra scart leads.[16]

A scorecard of this nature could be used in conjunction with the "power questions" and well trained sales staff would be ready and willing to answer follow up questions and provide additional information. Again, a similar grid could be developed for digital radio, covering essential "usability" factors and key consumer-defined criteria.

The design and size of the scorecard labels is critical as ideally they should be clearly visible on the outside of packaging as well as on products. We do understand that this could make the surfaces crowded, and that manufacturers are concerned about their brand labels being crowded out but with some creative input we are confident a satisfactory solution could be found, as has already happened for energy efficiency labelling. There may be scope to link it to other incentives and permission to use an 'advanced' digital tick to encourage manufacturers and retailers to take it up.

[15] See appendix 1
[16] See appendix 2

3. Training

Staff training at retail outlets should be more consistent. Retailers have made tremendous progress but access to well-trained staff and the knowledge and willingness of staff to proactively advise customers varies enormously. It is a huge challenge, given the turnover of staff and the use of part-time and temporary staff but it is important that retail staff are encouraged to become "accredited digital advisers".

4. Time and input

Consumer Focus cannot stress enough the need to build in sufficient time and resources to plan effectively for switching to digital radio. There is much to learn from the experience of the digital television switch, and there will be more to come as the process is still in the early stages.

It is also important to continue a mechanism to capture the advice and insight from a group like the Consumer Expert Group. We have been able to influence policy and practice in relation to television switching to the benefit of consumers, acting as an advisory body and sounding board for both DUK and the help scheme, making a positive contribution to their work on targeted communications, the design of the help scheme specification, for example.

Consumer Focus

February 2010

Appendices to the Consumer Focus memorandum to the House of Lords Select Committee on Communications, supplementary evidence

APPENDIX 1

Consumer Power questions on Digital TV (Consumer Expert Group)

POWER QUESTIONS: WHAT TO LOOK FOR WHEN YOU BUY A DIGITAL TV PRODUCT

— Say what your needs are up front in the shop, for example mention any sight, hearing or dexterity problems anyone in your household has. Tell the shop assistant that you expect the equipment to be suitable for those specific needs.

— You have the right to return goods and get a refund or a replacement if they are faulty. You have the same rights if the goods are not fit for their purpose. So if you tell the seller that you need them for a specific purpose, they should be fit for that as well as for general use. You need to return the goods as soon as possible and preferably within 7 days of the purchase. If you take longer you may lose the right to a refund, but you should be able to opt for a replacement.

— Look for the digital tick logo. It guarantees that a digital TV product will work through and after switchover. If you are interested in usability of equipment, read on because the digital tick does not currently guarantee usability of equipment.

There are a range of features and characteristics that will differ between makes and models of digital TV products, and as you are likely to use your digital TV on a daily basis, it is important to find a system that meets your needs.

1. General features

— How far will I be sitting away from the TV screen in my home?

  — Different products have different on-screen TV guides and some are more legible than others. Ask the shop assistant to show you the on-screen guide before you buy. Check for yourself whether you find the on-screen guide legible, whether the colour contrasts and letter sizes suit you.

— What other equipment do I want to connect?

  — Tell the shop assistant what you will want to connect and check whether the product has a sufficient number of connecting slots to allow you to do this. For every piece of equipment you are likely to need a connecting SCART socket.

— Is my existing TV old or relatively new?

  — If you are planning on buying a set-top box and your existing TV is old it might not have SCART sockets, in which case you will need a digital box that incorporates a modulator.

- Will I want high definition TV now or in the future?
  - It is not necessary to get an HD ready or high definition product to get digital TV, but if you are interested in HD ask the shop assistant for your options because not all products support it.
  - Do I want equipment that is more energy efficient? Some digital TV products and TV screens consume less power than others. If this is of interest to you look for one with the energy saving recommended logo.
- How much space have I got?
  - Some set-top boxes can sit on top of a regular TV, whilst the larger ones need their own shelf.
- Do I want to listen to radio via my TV?
  - If the answer is yes, then you might want a product that has a radio/TV button. This quickly switches between TV and radio stations. Without this you have to scroll all the way through the TV channel list to get to the radio channels, or enter the radio station's three digit number into your remote control.
- Do I want to delete unwanted channels from my on-screen guide or set up my own favourites list?
  - If the answer is yes, then ask for a product that offers this option.
- Do I feel comfortable using 2 remote controls?
  - When you buy a digital set-top box or digibox you will normally have to use 2 remotes: one to control your TV and one to control the box. If you do not feel comfortable doing this, ask the shop assistant whether the remote can be set to also control your TV or consider buying an integrated digital TV.
- Does anyone in my household have a sight problem?
  - If the answer is yes, they might be interested in a product that can receive audio description. Audio description is an additional commentary that helps people with a sight problem to picture the on-screen action, body language and facial expressions. Few brands and models can deliver audio description. You can look on www.rnib.org.uk/tv or ring RNIB on 0207 391 2398 for an up to date list of the models that have this feature.

2. The remote control:

You use the remote control for a host of features and a good design can make all the difference. In fact the best remotes can be operated with one hand without looking at them. Here are some things to look out for:

- Does anyone in my household have a problem operating very small buttons?
  - If the answer is yes, than look for a remote control with decent size buttons. Some remotes can be very small indeed.
- Does anyone in my household have difficulty finding the buttons on a remote control?
  - Ask the shop assistant to let you try the remote that comes with the product you are planning to buy. Check whether the buttons are well spaced out. Make sure you are comfortable with at least the following buttons: on and off, channel up and down, volume up and down, on-screen guide, number buttons
- Is anyone in my household deaf or hard of hearing?
  - If the answer is yes, then it is useful to know that almost all digital products deliver subtitles but you might want to look for a remote that has a separate button to switch them on. Some products will always display subtitles when switched on and hold the subtitles across channel changes.
- Does anyone in my household have a sight problem?
  - If the answer is yes, consider whether the remote has differently shaped buttons, good contrast between the casing and the buttons and well spaced out buttons as that can be helpful. Larger size buttons can also be helpful.
- Does anyone in my household prefer a system that can be used without a remote control?
  - If the answer is yes, look for equipment that allows you to change volume and channel from easily reachable controls on the front panel of the digital TV or set-top box

3. Recording.

If you are buying a digital TV recorder to replace your analogue DVD recorder or VHS recorder:

- Do I want to record one digital channel while watching another?
  - Make this clear to the shop assistant and explain what other equipment you have at home. You will most likely need a recorder with twin tuners.
- How many hours will I want to record?
  - Most digital recorders have a built-in storage device, for example 80Gb or 160Gb hard discs, storing around 40 or 80 hours of TV. If you think this is not enough space for you, consider having a DVD digital recorder that can store on recordable discs.
- Do I want to record on to discs or do I prefer to record on to a hard drive so that programmes stay on the machine itself?
  - Let the shop assistant know whether you want a recorder with built-in storage (hard drive) or one that records on DVD discs that you can take away, or both.
- Do I want to record an entire series?
  - If the answer is yes, then you might be interested in a series link feature system that will automatically record all episodes or a system that automatically records at the same time every week or every day.

4. If you want impartial advice on specific digital products.

For detailed advice and tests of products go to http://www.ricability-digitaltv.org.uk/

Unresolved Editorial Issues:

- is there a word that is easier to understand for Scart socket? For modulator?
- is “digital TV product” easily understood?
- is the text about “hard drives” easy enough to be understood?

CEG Recommendation on How and Where these Power Questions should be Used:

- Provide them at retail outlets. This would enable consumers to have the correct information at hand at the point of purchase.
- Provide them in the “helping hand packs”
- Provide them on DUK website.
- CEG members who have appropriate networks could make them available to their customers

Date and Contact Details

- submitted by CEG to DUK on 10 August

APPENDIX 2

Digital Scoreboard (Consumer Expert Group Response to Consultation)

Consumer Expert Group on Digital Switchover. Response to Digital Scoreboard consultation, 20 April 2007.

The consumer expert group very much welcomes the idea of the digital scoreboard, as it provides consumers with a consistent, clear and meaningful summary of the most important features they may wish to consider when making a purchase decision. We think that the scoreboard could make a major contribution to helping consumers make the best possible informed choices about digital TV equipment to meet their individual needs. Ultimately equipping consumers better to make the right purchasing decisions will have a positive impact on how they rate their overall switchover experience.

The Digital Scoreboard should be of benefit to mainstream consumers as well as those with particular needs in mind, in order to widen its appeal. The suggestions below are based on this requirement.

Only the information on the left of the shown example should actually be shown on the products. See the Appendix for clarification.

The notes should be moved to a standardised leaflet or booklet that explains the whole scoreboard and what each item means. An example is given in the Appendix.

The following are our detailed comments on the proposal:

1. The scoreboard should always list all proposed features and items, even if some of those are not present on a particular product. Having a scoreboard with the same features and items on across different brands and products will enable consumers to easily compare products. If a certain feature or item is present in a particular product, this should be indicated on the scoreboard. Similarly, if a certain scoreboard item or feature is not present in a particular product, this should be indicated on the scoreboard.

2. For increased clarity, the presence and absence of items should preferably read "Yes" or "No" as the meaning of a tick or dash is not intuitively clear. Alternatively, as a 2nd best option, features that are not present could have an empty box. This makes the meaning clearer than having a cross marking.

3. Including the energy consumption figure is a very good idea. However the proposed wording and text surrounding it, are currently confusing. Ideally, the energy figures should be calculated on a more consequential scale. The preferred measuring method is to take the energy consumed over 24 hour period during which the set is in "viewing" mode for an agreed number hours (for example 8 hours) and in "recording" mode for an agreed number of hours (for example two hours). Where the device is not capable of recording but has a timer function, this should be used. Where no timer function is available, the device should be active for those two hours. The resulting measured consumption should be multiplied by 365 to result in average annual energy consumption, expressed in kWh per year.

4. The text about audio description rightly refers to people with a sight problem. It should also be noted in the accompanying literature that AD might be a useful feature to people who may be giving their visual attention to something other than the television.

5. With reference to the last item, this should read "Also works without SCART" and be a yes or no item like most of the others. Here, a "yes" would indicate that the receiver has an RF modulator. This would be explained thoroughly in the accompanying literature.

6. There should be an additional item that states whether or not the product complies with the DTG's definition of a remote control as soon as the DTG remote control subgroup has concluded its work. The item could be called "user-friendly remote control".

7. All products have subtitles as a requirement, so some would argue that this item is superfluous. However, as audio description as access service is mentioned, it is useful to have a reference to subtitles, but we would suggest that it is best to state whether or not the product offers a dedicated button to activate subtitles. This item could then read "Subtitles button".

8. An additional item could be added stating the number of SCART sockets provided by the product. This is an important parameter for choosing a suitable product and can be explained thoroughly in the accompanying booklet. The advantage of placing this on the scoreboard is that it draws consumers to the importance of considering the connectivity of their system as a whole before choosing a particular set-top box.

APPENDIX

An example Digital Scoreboard label is shown below:

Annual Energy Consumption	26 kWh
Subtitles	Yes
Audio	No
Auto Re-	Yes
Also works without SCART	No
SCART	1
User-friendly Remote Control	Yes

An example of the text of the explanatory booklet is given below:

Every digital receiver that has been awarded with the digital tick shows a label with a standard layout. This is what the items on the label mean:

Annual Energy Consumption

This figure gives an indication of how much energy this particular product uses each year, and can be compared directly with other similar products. Products with more functions may consume more power. It is based on using the product 8 hours per day and if the product is a recorder this figure includes recording for an additional 2 hours.

Subtitles button

All Digital Freeview products provide a subtitles feature, which is great for when you cannot hear the TV programme sound. To make this easier to turn on and off, some products have a button on the remote control that can be used to turn them on and off easily. On products that do not have this button, the subtitles must be controlled through an on-screen menu system. Subtitles are subject to provision by the broadcaster.

Audio Description

Audio description is an additional commentary that helps people with a sight problem to picture the on screen action, body language and facial expressions. This is a feature, new with digital television, that helps you to follow what is happening in a TV programme when you cannot see the screen. It is particularly useful to people who have difficulty seeing the screen, but is also a great help to anyone who needs to concentrate on something other than the television screen but still wants to follow a programme. It is only available on some programmes, subject to provision by the broadcaster.

Auto Re-Tuning	This shows whether the product will automatically re-tune itself to find new channels, when they come on, and at the time of digital TV switchover. It means you do not need to do anything to these products yourself during the progress of digital switchover.
Also works without SCART	Some older TVs do not have a SCART socket, in which case you need a product where this box says "Yes". In this case, you tune a spare channel on your TV into the Digital Set-top box and get digital by switching to this channel. Remember that you may later decide to use the product you buy on a different TV, so it is worth checking all of the TVs that you may use this product with.
SCART sockets	Products have either one or two SCART sockets. If all of the SCART sockets on your TV are in use, then you can buy a product with two SCART sockets, and connect one of the devices currently connected to your TV to the second SCART connector of the set-top box instead. This is usually a recording device, such as a video recorder or a DVD recorder. This way, it is possible to play back recordings when the set-top box is in standby, and also make recordings from the set-top box.
User-friendly Remote Control	This tells you whether a product has passed rigorous tests on how easy it is to work its remote control. If you usually find remote controls hard to use, look for a product where this item says "Yes".

What is SCART?

A SCART lead is the best way to connect the components of your television system together. The socket is long and thin with two rows of 10 slots. Televisions that are less than ten years old usually have at least one.

Supplementary memorandum by the Royal National Institute of Blind People

Following the question asked at the House of Lords Select Committee evidence session, RNIB suggests that the following recommendations be considered by the committee in addition to the previous written and oral evidence we provided:

1. Recommendation: Talking TV Solutions in the TV Help Scheme.

It is absolutely necessary that the digital TV switchover help scheme incorporates a talking solution that allows people who can not see the screen to independently use their television when this solution becomes available later this year. RNIB is also asking that this solution would be offered to those registered blind and partially sighted people in regions that have already switched and who have already had assistance from the help scheme but who may have been fitted with equipment that does not fully meet their needs. The help scheme should contact them and make them the offer of the talking solution. The help scheme budget underspend should allow for this.

2. Recommendation: Digital Tick for Radio that incorporates Usability Elements.

This idea is being floated and RNIB supports the idea to have a digital tick for radio, but given the complexity of the equipment compared to analogue equipment, it should mean more than the digital TV tick. The existing digital TV tick only means that your equipment will work after switchover, nothing more. Efforts to rectify this afterwards with a digital tick labelling scheme to indicate usability features have largely failed as manufacturers are not taking them up. A digital radio tick should also indicate that the equipment fulfils some usability criteria. Reason being that we have found that purchasing decisions for TV are really quite tricky for a lot of people, and as people will be forced to buy digital radio it is important that they are helped in their decision on what to buy by a tick that means more than "this equipment will work after digital radio switchover".

3. Recommendation: Digital Radio Power Questions

To guide consumers with buying decisions about digital radio in store, a set of "power questions" should be available. These are questions that help consumers, in particular those with special needs, choose equipment that fully meets their needs. These "power questions" should be available at point of sale. They should be very visible in any switchover awareness raising campaign and they should be well publicised. The Consumer Expert Group made this suggestion for digital TV (see Annex), and wrote an example of what brand-neutral power questions should look like, but Digital UK did not see it as their task to ensure that they would become available at point of sale. One way of implementing this idea would be to require that having this information available in the shop at point of sale would be a requirement to become an "accredited digital tick radio retailer". The power questions could be put together by consumer organisations with expertise in testing this equipment area such as Ricability.

4. Recommendation: Early Planning for Radio Help Scheme

RNIB recommends that the planning for a radio help scheme starts very quickly, because the digital TV switchover experience demonstrates that such a scheme requires a good deal of planning and 2015 is not far off.

February 2010

Annex

DIGITAL TV CONSUMER POWER QUESTIONS

Power Questions: What to look for when you buy a Digital TV Product

- Say what your needs are up front in the shop, for example mention any sight, hearing or dexterity problems anyone in your household has. Tell the shop assistant that you expect the equipment to be suitable for those specific needs.
- You have the right to return goods and get a refund or a replacement if they are faulty. You have the same rights if the goods are not fit for their purpose. So if you tell the seller that you need them for a specific purpose, they should be fit for that as well as for general use. You need to return the goods as soon as possible, and preferably within 7 days of the purchase. If you take longer you may lose the right to a refund, but you should be able to opt for a replacement.
- Look for the digital tick logo. It guarantees that a digital TV product will work through and after switchover. If you are interested in usability of equipment, read on because the digital tick does not currently guarantee usability of equipment.

There are a range of features and characteristics that will differ between makes and models of digital TV products, and as you are likely to use your digital TV on a daily basis, it is important to find a system that meets your needs.

1. General features

- How far will I be sitting away from the TV screen in my home?
  - Different products have different on-screen TV guides and some are more legible than others. Ask the shop assistant to show you the on-screen guide before you buy. Check for yourself whether you find the on-screen guide legible, whether the colour contrasts and letter sizes suit you.
- What other equipment do I want to connect?
  - Tell the shop assistant what you will want to connect and check whether the product has a sufficient number of connecting slots to allow you to do this. For every piece of equipment you are likely to need a connecting SCART socket.
- Is my existing TV old or relatively new?
  - If you are planning on buying a set-top box and your existing TV is old it might not have SCART sockets, in which case you will need a digital box that incorporates a modulator.

— Will I want high definition TV now or in the future?

  — It is not necessary to get an HD ready or high definition product to get digital TV, but if you are interested in HD ask the shop assistant for your options because not all products support it.

  — Do I want equipment that is more energy efficient? Some digital TV products and TV screens consume less power than others. If this is of interest to you look for one with the energy saving recommended logo.

— How much space have I got?

  — Some set-top boxes can sit on top of a regular TV, whilst the larger ones need their own shelf.

— Do I want to listen to radio via my TV?

  — If the answer is yes, then you might want a product that has a radio/TV button. This quickly switches between TV and radio stations. Without this you have to scroll all the way through the TV channel list to get to the radio channels, or enter the radio station's three digit number into your remote control.

— Do I want to delete unwanted channels from my on-screen guide or set up my own favourites list?

  — If the answer is yes, then ask for a product that offers this option.

— Do I feel comfortable using 2 remote controls?

  — When you buy a digital set-top box or digibox you will normally have to use 2 remotes: one to control your TV and one to control the box. If you do not feel comfortable doing this, ask the shop assistant whether the remote can be set to also control your TV or consider buying an integrated digital TV.

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  — If the answer is yes, than look for a remote control with decent size buttons. Some remotes can be very small indeed.

— Does anyone in my household have difficulty finding the buttons on a remote control?

  — Ask the shop assistant to let you try the remote that comes with the product you are planning to buy. Check whether the buttons are well spaced out. Make sure you are comfortable with at least the following buttons: on and off, channel up and down, volume up and down, on-screen guide, number buttons

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- Do I want to record one digital channel while watching another?
  - Make this clear to the shop assistant and explain what other equipment you have at home. You will most likely need a recorder with twin tuners.
- How many hours will I want to record?
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- Do I want to record an entire series?
  - If the answer is yes, then you might be interested in a series link feature system that will automatically record all episodes or a system that automatically records at the same time every week or every day.

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Unresolved Editorial Issues:

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- Provide them at retail outlets. This would enable consumers to have the correct information at hand at the point of purchase.
- Provide them in the "helping hand packs"
- Provide them on DUK website.
- CEG members who have appropriate networks could make them available to their customers.

Supplementary memorandum by Mr Tim Leech, Chief Executive, Wireless for the Bedridden (W4B)

I like to follow up upon three items from the 10th and thank everyone for the interest and concern in the area.

1. Upon FM radio and the Scrappage scheme. It is worth noting that FM receivers are in lot of things iPods and stereos to mention but two. I doubt the Scrappage scheme will be of any help with these.

2. We were asked about the fall in advertising revenues. Where I can sympathise in some part, I think it is general knowledge that the commercial radio market has been saturated for quite some time and quality programming is a must to win audience loyalty. If the general public are not listening, I cannot see them wanting to bail out the commercial stations. Commercial radio is by its very nature a commercial venture which does mean that there are risks and it is not necessarily the taxpayer's place to insulate business against these risks.

Digital Outreach Ltd and the Help scheme. Where in general I agree with my colleague, I think it is important to consider the numbers are very low and that help stops after the switch has happened. This does mean that people have been missed or are now struggling to use their equipment. A Help scheme for radio from our experience will need to be a very different animal from the one presently being run and certain elements probably could be cut. Please see below email below from one of my staff in the Granada area as an illustration.

15 February 2010

Just thought you might be interested to hear more about the Freeview Box request.

The gentleman in question has been in hospital from October so missed the switchover and was quite confused beforehand so probably would've missed the deadline anyway.

The advice people at Manchester City Council had called the digital help scheme but were told that it was closed in the region. Interestingly they were not given our name or details. These were then passed on from another lady that I had met and has since put applications our way.

The gentleman is in poor health and is now in a wheelchair and is waiting to be given new, suitable, sheltered accommodation and is probably better suited to a digital TV due to the confusion of using two remote controls.

Expect an application to land on your/Anny's desk soon.

I have been trying to speak to Digital Outreach regarding what they are doing in the regions post switchover. The short answer to this appears to be nothing.

When I asked about retuning and ongoing support they said that they didn't offer any technical support from there but then went on to mention in passing that they did have roving re-tuners at the point of switchover.

Somebody is apparently going to give me a ring back as the person I spoke to was very sketchy on details.

Memorandum by the Department for Culture, Media and Sport

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

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% (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 two years;
- To provide for the renewal of national and local analogue radio licences for up to a further seven 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 two 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.

29 January 2010

Examination of Witnesses

Witnesses: Mr Siôn Simon, a Member of the House of Commons, Minister of State for Creative Industries, and Mr Keith Smith, Deputy Director, Media in the UK, Department for Culture, Media and Sport, examined.

Q472 ***Chairman:*** Good morning. Thank you very much for coming, you are very welcome to the Committee. Now, Mr Simon, you are the Broadcasting Minister.
Mr Simon: For the moment, until the end of today.

Q473 ***Chairman:*** Well, that is what I was going to raise with you. How long have you been in this post?
Mr Simon: I have been in this post since, I think, the beginning of June last year and today is my last day, so this will be my final appearance before a Select Committee and I am looking forward to it tremendously.

Q474 ***Chairman:*** Well, before you look forward to it too immensely, let me ask you a question, and I ask the question because, on my reckoning, there have now been five broadcasting ministers since May 2006. That is a very high turnover. Do you think that these frequent changes help in making policy?
Mr Simon: I think I should have been appointed in 2005, but—

Q475 ***Chairman:*** But Number Ten actually omitted to do so?
Mr Simon: They omitted to do so and, as you know, you will have to ask the Prime Minister about the appointment of ministers because that is his decision, not mine.

Q476 ***Chairman:*** Well, the resignation of ministers, on the other hand, is very much in the hands of ministers, is it not? You are not even going to take the Digital Economy Bill through?
Mr Simon: I have had great enjoyment and satisfaction dealing with it as it has been through all the various stages of consultation with stakeholders across industry and Parliament since I inherited the White Paper. The White Paper was published the week I was appointed, the *Digital Britain* White Paper.

Q477 ***Chairman:*** By your predecessor who also only lasted a year.
Mr Simon: I think he did an outstanding job actually, I must say. Having come in and inherited his output, I think Lord Carter did a very, very sophisticated, subtle and impressive job across a whole range of industry sectors.

Q478 ***Chairman:*** At any rate, you enjoyed it so much that you are not going to stay for a couple of months?
Mr Simon: It has been an absolutely tremendous pleasure and privilege. I think it is one of the best jobs in Government. I have lots of reasons that I am stepping down as I am deciding to do other things and I am also stepping down from Parliament.

Q479 ***Chairman:*** What are the other things you are going to do?
Mr Simon: I am going to run, if I can, to be the first elected Mayor of Birmingham, which will probably be a couple of years, but is a job worth doing and worth planning for.

Q480 ***Chairman:*** Well, as a Birmingham MP for 27 years, I am probably the person round this Committee who has most sympathy with that ambition, although I do not think the job actually exists, let alone that you are going to win it. Quite seriously, do you really think that these swift changeovers of ministers actually do the policy process any advantage?
Mr Simon: I do seriously have to tell you that I am a junior minister and junior ministers, as you know with all your experience, are not responsible for the appointment of ministers, the policy towards the appointment of ministers or the length of tenure of ministers. You need to take that up with the Prime Minister; it is not a matter for me.
Chairman: Well, I doubt very much whether the Prime Minister is going to agree to come to this Committee, given all the other things he has got on his mind just at this period in Government, but never mind.

Q481 ***Lord Maxton:*** Do we know who your successor is going to be?
Mr Simon: I do not know.

Q482 ***Lord Maxton:*** Presumably, somebody will have to be appointed this afternoon if you are going this afternoon?
Mr Simon: Again, it is a matter for Downing Street, not for me or officials.

Q483 ***Chairman:*** So you are going this evening and we do not know who is going to take your place?
Mr Simon: I think it is fairly common procedure that it is after the one minister has resigned that the next one is appointed, so I assume there will be an announcement from the Prime Minister in due course about what arrangements will need to be made.

Q484 ***Chairman:*** Okay, I do not think we are going to get much further on this particular path. Let us ask you about the digital switchover. This is a short inquiry that we have conducted and most complaint, I think, has been about radio. There seems to be enormous uncertainty amongst the public about

what is happening and indeed what the case for radio switchover is. We have just been talking to consumer groups and, just to give you some flavour of what they said initially, one said he could not see any advantage, another said it was difficult to see what the benefits are and a third said that they were concerned about the expense of throwing away sets, and I think that is one of the issues that has come through from some of our correspondence as well. What would you say are the advantages of digital switchover as far as radio is concerned?
Mr Simon: I think there are several advantages. Firstly, digital has practical and technical advantages of benefit to the consumer, so there is a whole range of extra functionality and interactivity that you get from a digital radio set that you will not from analogue. It is also the case that the FM infrastructure, the transmission infrastructure of FM, is ageing, FM is an old analogue technology, and the likelihood is that in the medium term the question will arise anyway of whether this infrastructure can economically be renewed and the likelihood is that it probably would not be economic to renew this infrastructure. What you would be faced with in that case would be a piecemeal disintegration of the FM infrastructure in a disorderly way and an inevitable move by the market towards digital. What the Government is, therefore, doing is trying to help manage this move in an orderly and efficient way.

Q485 ***Chairman:*** So what would you say to the member of the public who has written a not untypical letter to us in which he said, "We have acquired a large number of FM radios over the years, all of which work perfectly. Five of these are used regularly in different rooms. Why should we ditch these for no good reason?"?
Mr Simon: Well, firstly, they will not necessarily have to ditch them; it will depend what services they are using them to listen to, and it may be that there are different members of the family using different sets in different rooms at different times to listen to different services. It is reasonable to assume, therefore, that in a typical family some of those sets in some of those rooms will be used to listen to the kinds of local commercial services or community radio services which will remain on FM, indeed which will be expanded and have their presence secured on FM and remain available. Now, clearly it will be the case that, in order to listen to major national or large regional broadcasters after 2015, consumers will need some kind of upgrade to listen to digital. It is very likely that a relatively cheap, small add-on which converts an analogue set to a digital set will become available before the switchover date. We are talking to manufacturers, and I cannot guarantee what manufacturers will manufacture, but we think it very likely that a small, cheap converter will be available and people will purchase over time new sets.

Q486 ***Chairman:*** Well, we will come to that point. Can I just ask one broader point though than that. Ofcom commissioned a cost-benefit analysis of digital radio migration from Price Waterhouse. That report found that the benefits might outweigh the costs only after 2026. Is that the basis upon which you are planning as well?
Mr Simon: I think that the report that Ofcom commissioned was into the recommendations of the Digital Radio Working Group, which were different from those which eventually made it into the *Digital Britain* White Paper and the Digital Economy Bill, so, to be honest, it is not really a straight comparison because the Price Waterhouse report was not into what is going to happen, it was into a different set of recommendations by a different group.

Q487 ***Chairman:*** I hear what you say, but why has the Price Waterhouse report not been made public?
Mr Simon: Clearly, there has been a little bit of difficulty about this. There is no sense at all in which it was intended not to be made public. It is now on the DCMS website. It should have been on the DCMS—

Q488 ***Chairman:*** In a redacted, blacked-out form.
Mr Simon: I believe that the form that it is in on the website is redacted to remove commercially sensitive information, which is the usual practice with commercially sensitive information, but I am told that the Committee has been supplied with an unredacted version by Ofcom, and any stakeholders who have asked for a copy have been sent a copy. We should have put it on the website more quickly. There were technical difficulties to do with the report not having been written internally and being supplied in the wrong format and so on which meant that it did not get on the website. There has been no intent whatsoever, and there is no intention, to keep private the report.
Chairman: Well, we, I gather, have received the report this very morning, so we obviously have not looked through it yet

Q489 ***Lord St John of Bletso:*** I noticed in the written evidence from DCMS that one of the challenges of the digital radio switchover will be converting the occasional radio listener rather than the avid listener who has already invested in DAB sets. There has been also a commitment to a further cost-benefit analysis of the digital radio upgrade. What is the timetable of this proposed new cost-benefit analysis, and will you wait for the outcome of this analysis before taking further decisions to go forward?

Mr Simon: I think the commitment with the digital radio upgrade is for a full impact assessment and a cost-benefit analysis particularly of the need for, the case for and the design of a possible digital radio help scheme. As to the sense in which there is a cost-benefit analysis of the whole programme, rather than a kind of discrete piece of commissioned work, like the report we were just talking about, this would be a constant, ongoing process of review which is starting this year and will be constantly reviewed, measured and updated as the programme unfolds.

Q490 ***Lord St John of Bletso:*** We have, as I understand it, 90 per cent still on analogue and ten per cent on digital, but have you estimated the effects of the costs and revenues to the different radio stations and the bodies arising out of digital migration, and how will profitability change and who will benefit? That is really what we are trying to get at.
Mr Simon: I think the percentage already listening on digital is higher than that, I think it is more like 20 per cent, and we are committed to not switching over until listenership on digital is at least 50 per cent and coverage is at least comparable to FM, which would be 98.5 per cent. Can you just tell me a bit more as I was not quite sure exactly what you wanted in your subsequent question?

Q491 ***Lord St John of Bletso:*** It was just the phasing of the transfer as far as not just the timing of the cost-benefit analysis, but what the effects would be and the costs and revenues for the different radio stations and others.
Mr Simon: The intention is that the radio market be much more distinctly than it currently is organised into three distinct tiers, so a national tier at the top, which would be digital, a large regional tier, which would also be digital, and then at the lowest end a local tier, which would be small, local commercial broadcasters and community radio stations who would remain on FM. The effect would be that some currently medium-small commercial broadcasters would probably grow their broadcast areas and migrate on to digital. Some of that size could potentially shrink slightly and stay on FM, the underlying dynamic being that it is much cheaper to stay on FM than go onto digital, and there would be small commercial broadcasters for whom it would not be economic to migrate to digital, which has inherently a much bigger footprint.

Q492 ***Lord Maxton:*** I am not quite clear where the BBC would fit into that because they provide national and local services.
Mr Simon: If I may say so, my Lord, that is a very good question and the answer is that in the crucial matter of building out extra transmitter infrastructure so that the coverage of digital matches by 2015 the current coverage of FM, which is about 98.5 per cent of the country, the assumption is that the commercial sector and commercial operators would fund that build-out as far as it was commercially and economically viable, and then the assumption is that the BBC, with its obligation to provide a universal service, would fund the probably seven or eight per cent of the build-out which was not commercially viable.
Lord Maxton: But they were only talking about 90 per cent, the BBC were last week.

Q493 ***Chairman:*** Is it going from 90 to nearly 100 per cent?
Mr Simon: Very roughly. It is between 90 and 98.5 which, it is assumed, would not be commercially viable.

Q494 ***Chairman:*** But you are assuming that the cost of that will be taken from the licence fee?
Mr Simon: I am assuming that the BBC would be building those transmitters. We are talking about a cost of probably between £10–20 million a year.

Q495 ***Chairman:*** So it would be taken from the licence fee?
Mr Simon: I think the assumption is that the BBC would be able to absorb that within its current budgets.
Chairman: Well, the BBC said to us that actually they would like to talk to you about the licence fee, so there may be a constructive dialogue to be had there!

Q496 ***Lord Maxton:*** Obviously, what you are saying does imply a fairly major restructuring of the radio industry. I assume you are going to be consulting on this, are you?
Mr Simon: We are, and have been, consulting continuously. I have had two summits with small commercial operators who, at the beginning of the process of talking to them, were a bit concerned.

Q497 ***Lord Maxton:*** Can I link this to one of the Government's other quite right policies, which is extending broadband to everybody. Where does that fit into radio because it seems to me that people are already selling internet-available radios so that you can pick up radio stations from wherever?
Mr Simon: It is all part of the same, I think, pretty relentless drive towards digital, but they are different strands of the same broad movement rather than being directly interlinked or dependent, so internet radio listenership forms part of the digital radio listenership, but it actually forms a very small part of the digital radio listenership and there is still a case and a clear need for an explicitly transmitted-over-the-airwaves radio digital output as well; you cannot do it all on the internet.

Q498 ***Baroness McIntosh of Hudnall:*** I just wanted to go back to two things that you said in your last couple of answers, Minister, and the first one was about the 50 per cent target for digital listenership before making the decision to migrate to digital. We had evidence from the witnesses who were here immediately before you that there is a strong likelihood that the 50 per cent of people who, at that point, would not have taken up the digital option may include a high proportion of vulnerable listeners. Do you have any observations, or indeed has your Department done any research, to demonstrate whether or not that is likely to be the case? Also, you made the point about the BBC becoming responsible for making up the shortfall between 90 and 98.5 per cent, and the evidence that they gave us last week demonstrated, or they believe it demonstrates, that the level of investment to produce that last eight to ten per cent's worth of coverage is enormously much greater than the level of investment that has been necessary, or will be necessary, to arrive at 90 per cent. I think, from memory, they were talking about having 90 transmitters currently and needing to invest in a further 140 in order to meet that remaining ten per cent. That is a pretty big ask, and I just wonder whether you would, in the light of that, be prepared to reconsider your answer to Lord Fowler about where the money is going to come from.
Mr Simon: If I could take those two, in the first case we have not commissioned research about that yet. Intuitively, I suspect that you are probably right and that there will be a disproportionately high number of, for instance, older, disabled or other vulnerable people in the cohort that is not digital by the time we switch over, so, for that reason, we will be commissioning a full impact assessment and cost-benefit analysis, looking into exactly those issues and using that information to determine, and what would be the details of, some kind of digital switchover help scheme in just the same way that we commissioned research which informed the digital TV switchover Help Scheme that we have ultimately put into place and which is, I think, widely held to have been pretty successful. On the second question, we have been talking to the BBC very closely and very recently about this and, no, I am pretty clear that what I said initially was right, that we are talking about costs of somewhere between £10–£20 million.

Q499 ***Baroness McIntosh of Hudnall:*** Sorry, £10–20 million per annum, you said earlier?
Mr Simon: Per annum, yes.

Q500 ***Baroness McIntosh of Hudnall:*** Over what period? An additional net £10–20 million spend for the BBC into an indefinite future or over a specified period of time?
Mr Simon: No, over the period of the switchover, after which the BBC's costs would decline by up to £40 million a year because they will only be transmitting on one platform and the cost of analogue will be deleted. The basic principle is that the market will pay the cost as far as it is viable. For those people who live in areas, presumably almost always more rural areas, where it is not commercially viable to build out digital transmitters, then the BBC, because it has in its charter an obligation to provide a universal service, will likely be bound to build out those transmitters. In our conversations with them, they have recently seemed to recognise that and I certainly have not had a sense from them that they believe that the cost would be prohibitive.
Chairman: I am bound to say, it is not the flavour of the evidence that they gave to us last week. I think Lady McIntosh makes an extremely good point here. Rather than continuing this, we had better just recheck with the BBC what exactly it is that they want and require here, but, I have to say, your evidence is slightly at variance with what the BBC were telling us.

Q501 ***Baroness Howe of Idlicote:*** I think quite a number of the questions I was going to ask have been answered, but I am still not clear about this £10–20 million that you are talking about with the BBC. Presumably, this will be extra money over and above what they are getting at the moment that you are negotiating with them?
Mr Simon: This is not money that we anticipate giving to them. It is a cost which we anticipate will accrue to them when they are building out new transmitters in order to meet their obligation in respect of universality.

Q502 ***Baroness Howe of Idlicote:*** So there will be a difference in that they are prepared to go up to 90, but not beyond that?
Mr Simon: The commercial sector will build out to 90 per cent and for the rural areas, the seven or eight per cent beyond that which the commercial sector would not build to because it would not be commercially viable, the assumption is that the BBC will build out that step further and that that will cost them about £10–20 million a year during the period of switchover, which they will later recoup as they make savings from not transmitting anymore on analogue.

Q503 ***Chairman:*** So you are cutting the budget of the BBC by £10–20 million in that period?
Mr Simon: Well, I do not have any control over the budget of the BBC.

Q504 ***Chairman:*** You are telling them what to do!
Mr Simon: I am not telling them. I am just telling you what the assumptions are about where the likely build-out will come from.

Q505 ***Baroness Howe of Idlicote:*** I also want to go back to this whole business of just when the radio switchover is actually going to happen as there are huge question marks over this. I know the target is 2015, but, as you probably also heard, a lot of people do not even want it to happen. If we are looking at FM and the extension of time that may well be required, is the Government prepared to give a guarantee that FM will remain right the way through whatever period it is, even if it takes another ten years or even longer for the total switchover to take place?
Mr Simon: I think the Government can guarantee that FM will remain for the foreseeable future. The Government cannot give guarantees indefinitely, but for the foreseeable future the part of the FM spectrum which will be used for local commercial and community radio will continue to be available for that.

Q506 ***Baroness Howe of Idlicote:*** Well, could you please define for me the 'foreseeable future'? How far beyond 2015 would that be?
Mr Simon: I cannot put a number on it, but I would have said it would be well beyond 2015, well beyond.

Q507 ***Baroness Howe of Idlicote:*** Well, 2020, say?
Mr Simon: My personal guess, for what it is worth, is probably well beyond that.

Q508 ***Baroness Howe of Idlicote:*** You are probably aware that there will be, and there are already, efforts to get on the face of the Bill a guarantee that it will stay for as long as that.
Mr Simon: A point I would make is that, as far as we are aware, we cannot find any evidence anywhere that the FM spectrum will be, going forward, of any particular economic value to anybody. We are not aware of anybody being likely to want it and certainly to want to pay anything in order to use it for anything else. As long as it remains viable for people to use it for radio, as long as people want to continue to use it for radio and as long as the infrastructure still works, then there is no reason at all why it should not continue. It could be another 50 years.

Q509 ***Baroness Howe of Idlicote:*** But you did in fact say that it was an ageing infrastructure. Have you got any guess about how long it would remain a viable infrastructure to be used?
Mr Simon: I honestly do not know. There is no sense whatsoever in which I am prevaricating or equivocating, there is nothing that I am trying not to say, but I simply cannot give you any certainty because there is no certainty.

Q510 ***Baroness Howe of Idlicote:*** I wonder whether Mr Smith might have an answer.
Mr Smith: I have nothing really to add to what the Minister has said. Again, and it is a personal view, but I would expect FM to be available well into the future and I think I would share the Minister's view of beyond 2020, but we do not know precisely when. The infrastructure is an ageing infrastructure, but who knows how long it might last.

Q511 ***Lord Inglewood:*** I would just like briefly to turn back to the question of extending the DAB national network because it has been measured in the discussions so far by reference to the percentage of the population, but, since the population is scattered relatively randomly across the country, of the final ten per cent of the population, how much in terms of the total number of transmitters and transmission stations does that represent? In fact, in terms of the total cost of rolling this out, that last ten per cent is going to cost a great deal more than the first ten per cent, is it not?
Mr Simon: In answer to the first question, nobody knows how many transmitters—

Q512 ***Lord Inglewood:*** No, but just an order of magnitude; I am not interested in specifics.
Mr Simon: I do not know.

Q513 ***Lord Inglewood:*** But it is much more than ten per cent of the total cost of the thing, is it not?
Mr Simon: Certainly, you would expect for the non-commercially viable, rural final percentage that the unit cost would be higher than doing the middle of big cities obviously, yes.

Q514 ***Baroness McIntosh of Hudnall:*** Just on the question of who is listening, there appears to be some evidence, including from Ofcom's research, that most people who listen to the radio at the moment are pretty happy with what they have got now and that actually this notion of extensive choice and interactivity, which is the key selling point really of digital radio, as you said yourself at the beginning of your evidence, actually does not weigh that heavily with most consumers. We also have heard evidence from John Myers, who was commissioned by the DCMS to report on this, that there is a considerable oversupply of radio services in the sense that there are too many stations out there fulfilling need which is perhaps not as great as they need it to be to be commercially viable, so are you convinced that there really is the consumer-led demand for a digital switchover, or is this really being driven by the fact that the technology exists and, because we can do it, we will do it?
Mr Simon: In the first instance, I think the clearest evidence that there is a demand for digital radio is that in the last ten years ten million digital radio receivers have been bought, and many of them in the

earlier years quite expensively and many of them repeat purchases. For a new technology from a standing start where the existing technology remains in place and is dominant, I think that is clear evidence of significant demand and it is a market that continues to grow.

Q515 ***Baroness McIntosh of Hudnall:*** Before you go on from that, could you just tell us what the percentage of the absolute number of radio sets is, as far as it can be estimated, in the country?
Mr Simon: It is impossible to say because there are wildly different estimations of how many radio sets—

Q516 ***Baroness McIntosh of Hudnall:*** Well, on what do you place reliance?
Mr Simon: The estimations of the number of analogue sets in existence, which I can think of having heard, varies between about 40 million and 100 million plus, and it is a technology that is 100 years old, so that is a massive accumulation of equipment and it is, therefore, very difficult to compare with a ten-year-old technology. Out of maybe 50 million meaningful analogue sets, if there have been ten million digital sets sold in the last ten years, I think that shows significant consumer demand for a new technology. On the second question about whether the market is oversupplied, firstly and fundamentally, the size of the market is a matter for the market and for the consumer and it is not ultimately my job to manage the size of the market. However, one thing that we are trying to do with this move, as I have said, is to stratify the market into large national, large regional and very local services, which should mean that, rather than everybody in their rather disorderly fashion competing perhaps on unequal terms in one chaotic market, people can do business more efficiently in a more discrete market, and local commercial radio stations, for instance, can do local commercial advertising that will not overlap and be in competition with big national chains and so on.

Q517 ***Baroness McIntosh of Hudnall:*** So, leaving aside just the generality of choice as a benefit in itself, if you had to say what the benefits are to consumers of the particular way in which the Government is driving the digital switchover in radio, what would you put as your two or three most significant benefits? Would it be, for example, an extension of nationally available commercial broadcasters on digital platforms, or what would it be?
Mr Simon: I think it would be, firstly, that the technology offers additional benefits, so it offers for most people more stations more clearly defined and a better mix of the different tiers, additional functionality, interactivity; digital radios do things that analogue radios do not. Secondly, I think it offers the consumer an orderly, consistent and coherent pathway to a digital future which is inevitable. The FM technology is ageing and the economics suggest that it would not be economic for major broadcasters to replace that infrastructure nationally and, rather than let it disintegrate in a piecemeal way and let it be replaced in a piecemeal way and have consumers all over the country who no longer can get the services that they have been used to, I think it is appropriate for the Government to try and manage this transition in a coherent way.

Q518 ***Chairman:*** What I do not quite understand is that you talk about new services being provided, but they are going to be provided in an industry, or you are relying on them being provided in an industry, a particularly commercial industry, which is going to be competing with the BBC, which obviously one wants to see, but that commercial industry itself is struggling, not to survive, but certainly struggling in very, very difficult economic circumstances at the moment. I do not quite see where this expansion is going to come from.
Mr Simon: I am not saying that the aim of the policy is to expand the market for commercial radio. The aim of the policy is to manage the transition in a way that works both for the businesses of the broadcasters and for the consumers and to manage the experience in a way that works for the consumer. As you say, the commercial radio market in terms of revenue has shrunk by a third over the last ten years as advertising revenues have shrunk for all broadcasters, print media and so on. It is a business in which people are under real pressure and that is why, among the overwhelming majority of commercial broadcasters, there is a strong support and an appetite for a clear, managed, relatively swift, but not rushed, pathway to digital where, although in the first instance they will have some additional cost, they can see a future in which they can do more business and make more money.

Q519 ***Lord Inglewood:*** Just really arising out of that and something you said earlier, it is not part of your case, is it, that, if the analogue network were not ageing and hence degrading, that would not be the reason for moving to digital? The reason for moving to digital is not because the analogue network is simply breaking down, is it?
Mr Simon: The fact that the FM infrastructure will need to be replaced in the short to medium term and that it looks like that replacement would not be economic is certainly one of the underpinning factors.

Q520 ***Lord Inglewood:*** But that goes back to the question of Lady Howe's, does it not, that the foreseeable future is actually defined by the capability

of the FM infrastructure to deliver the services it currently does?
Mr Simon: I am not sure I understand the question. I understood her question.

Q521 ***Lord Inglewood:*** Yes, but she said, "How long is it going to go on for?" and you said, "For the foreseeable future", which was fair, but I think in fact that the way it is defined is that it will go on, according to the evidence you have subsequently given us, for as long as the FM transmission infrastructure is capable of delivering it. When it collapses, that is—
Mr Simon: They are two different points though. There is the question of how long it will be possible for some people locally to continue to broadcast on FM, which is a different question from at what point do businesses need certainty about the capital investment decisions they might need to take in the future to renew the major national infrastructures.

Q522 ***Lord Inglewood:*** Sorry, but I may have misunderstood your evidence, in which case I apologise, but I thought what you said was that you did not believe that the industry was prepared to invest for the further life that the FM infrastructure would require.
Mr Simon: That is correct.

Q523 ***Lord Inglewood:*** If that is the case, why are they prepared to invest in the infrastructure for digital, which is part of the proposal that you are describing to us?
Mr Simon: Because renewing an old technology with its limited functionality does not make economic sense to them, whereas investing in a new technology with additional functionality does. When it comes to making the investment decisions, they are not going to buy the old kit again, they are going to buy the new kit.

Q524 ***Lord Inglewood:*** I understand the argument, thank you. The other thing I wanted to ask you about was right at the outset when there was a bit of verbal sparring going on between yourself and our Chairman, reference was made to things, such as cheap sets and set-top box-type devices that would enable analogue radios to pick up digital and so on, and you used the subjunctive, that they might well become available, it was very likely. Is there any assurance that you have been given by any of the manufacturers about the actual provision of these products and, if there is not, as events move on, if it becomes apparent that a lot of this hardware may not be available, will that delay and/or postpone any digital switchover?
Mr Simon: Their adaptor-type technologies are already available for cars, so you can already buy a little thing in Halfords that you can put on your analogue car radio that will enable it to receive the digital signal. I do not think that you can easily get hold of such a product to adapt a domestic transistor radio, but the technology already exists. I am led to believe that they would not be difficult to manufacture and there is no reason to believe that they would be. We are talking to manufacturers who say that such products are on the way.

Q525 ***Lord Inglewood:*** Do you know in what sort of price range these things might be?
Mr Simon: I honestly do not off the top of my head.

Q526 ***Lord Maxton:*** On Amazon, £65.
Mr Simon: Currently?

Q527 ***Lord Maxton:*** For the car one, and you have to buy an aerial as well.
Mr Simon: We expect all of these prices to come down a lot.

Q528 ***Chairman:*** They have already come down quite a bit, have they not?
Mr Simon: Yes, they have come down tremendously. Digital radios themselves, the cheaper sets, you can now get a set for less than £25, which is very, very greatly less than the cheapest even a couple of years ago. As the market expands, the costs will come down, and it is expanding all over Europe. We are also working with, and encouraging, manufacturers to use, without being too technical, what is called the 'World DMB Profile One chip', which is compatible all across Europe, and that will give them great European economies of scale which again should make it easier for them to produce even cheaper sets and adaptors. In answer to the question, if nobody produces these things at affordable cost, would that delay switchover, I think it would depend what effect that had on the market. If that meant that nobody bought them and nobody bought any digital radios either and we did not get over the listenership threshold, then yes, it would delay. If it simply meant that people did not bother with an adaptor, but bought new digital radios, then it would not.

Q529 ***Lord Inglewood:*** I sense you sense that this is not actually going to be a problem.
Mr Simon: That is my belief.

Q530 ***Baroness Eccles of Moulton:*** I think, Minister, it is quite clear to us that there is going to be plenty of equipment around for converting, multi-chip, et cetera, et cetera, but why are we continuing to base the whole of our digital radio switchover on what is becoming an outdated system, which is DAB, as

opposed to what other countries have done, which is either to scrap DAB or start off with DAB+? Why have we allowed ourselves to get caught in being committed in an early stage of the development of the switchover to what is now not the most up-to-date and modern form of broadcasting?
Mr Simon: That is a very good question which lots of people ask. The answer is that we were in this country by far the earliest adopters as a market of digital radio and we took it up far more quickly and far earlier than anybody else, as a result of which the amount of stock in the market that you would have to write off in this country is vastly greater than European comparators. There are ten million DAB sets, many of which have been bought at early adopter prices in the market in the UK and, if we abandoned DAB, it would mean that all those early digital adopters had their digital investment written off after a very few years, which just seems really counterintuitive in terms of how to drive the market towards digital and hardly also would seem likely to inspire much confidence in those people to make them very likely to buy another digital radio of the new standard. What we are saying is that the new sets henceforth should have the DMB World Profile 1 chip in, which is DAB, DAB+ and DMB compatible, and it would mean that you could use it anywhere in Europe and receive all that mix of signals. It does not preclude us in the future from moving to a technology which is greater than DAB, but it is a cost-benefit decision that has had to be taken and the clear consensus, not just in the Government, but of the regulators and stakeholders, has been that writing off the ten million DAB sets that have already been bought would be counterproductive.

Q531 ***Baroness Eccles of Moulton:*** Is including the new chip in any radio that comes on to the market from hereon going to be mandatory in the same way as fitting seatbelts in cars became mandatory?
Mr Simon: Not in the same way in the sense that, I think, seatbelts in cars was a piece of primary legislation, but mandatory in the sense that we will work with manufacturers in order to draw up the technical specifications for the new generations of sets, and they will be the formal technical specifications which will be adopted, hopefully, European-wide, so in that sense mandatory.

Q532 ***Baroness Eccles of Moulton:*** So you would not be able to sell the set if it did not meet the technical specifications?
Mr Simon: You would not be able to sell an approved set. It would not be a crime to sell a set, but it would look like a dodgy set.

Q533 ***Lord Maxton:*** France is setting the law which says that by 2012, I think, all radios sold must be DAB+ and that would include all car radios, which is the market area which we really have not looked at, but it is a very important area. Is it right that 20 per cent of all radio listening is in cars? That is a very large percentage, but it is a very difficult area to switch from FM to digital, even with the device which we have talked about already, is it not?
Mr Simon: Our targets are switchover by 2015 and new cars all being digitally enabled by the end of 2013. That is our clear target. Now, obviously, even if all new cars are digital by 2013, that still leaves the majority of the car stock analogue for a while beyond 2015, at which point one hopes that the price of the adapters, which you can already buy in Halfords, has come down considerably from the price that you mentioned on Amazon. I did not think they were that expensive in Halfords.
Lord Maxton: Well, they are £79 in the shop and, to be honest, with the reviews they have had of them, you have to almost buy an external aerial.

Q534 ***Chairman:*** I would not take him on on this!
Mr Simon: I am not going to, not for a minute am I going to! He is obviously speaking with some authority.

Q535 ***Lord Maxton:*** It will cost you another £12 or £13 on top.
Mr Simon: All I can say is that manufacturers assure us that this technology will be getting cheaper, better and more widely available over the three years before cars go all digital and over the five years until digital switchover. That is a long time for them to make big improvements.

Q536 ***Lord Maxton:*** I have not got one yet, by the way!
Mr Simon: I guessed!

Q537 ***Chairman:*** But you said that the target date is 2015?
Mr Simon: Yes.

Q538 ***Chairman:*** That remains the target date, does it?
Mr Simon: That is the firm target.

Q539 ***Chairman:*** That is a firm target date and, therefore, will that go into the Bill as a date, the Digital Economy Bill going through at the moment?
Mr Simon: Is it not on the face of the Bill?
Mr Smith: The Bill sets out the conditions which would have to be met for the target to be set.

Q540 ***Chairman:*** But I think I am right, am I not, that 2015 is not there as a target?

Mr Smith: It is not on the face of the Bill, you are absolutely right.

Q541 ***Chairman:*** Why not?
Mr Simon: Because it is a target.

Q542 ***Chairman:*** An aspiration?
Mr Simon: No, I am happy with the word "target". It is a firm target, but it is not an inflexible or dogmatic target. It relies on our having met the listenership test, met the coverage test and, if we do not meet those tests, then we will not hit that date. We believe that we can, and should, hit that date.

Q543 ***Lord Inglewood:*** It will not be brought forward?
Mr Simon: That is very optimistic.

Q544 ***Lord Inglewood:*** I am just asking, not suggesting.
Mr Simon: I think it is unlikely.

Q545 ***Chairman:*** So you may miss the target. That is basically what you are saying.
Mr Simon: I am saying that, if we do not satisfy the criteria, then we will not do it if the nation is not ready.

Q546 ***Lord King of Bridgwater:*** There is this issue about the environmental impact. You are doing some research on this, I think, which is due to come out shortly?
Mr Simon: I believe so.

Q547 ***Lord King of Bridgwater:*** The increased power consumption, and we have had this on the digital television side as well, is there any indication at the moment of what that is going to reveal?
Mr Simon: Early digital sets were much more greedy consumers of energy than the more modern sets. Currently, our assumption is that in the immediate term there will be an increase in energy consumption, although digital transmission mechanisms are greatly more energy-efficient than analogue ones and they are obviously much bigger users of energy than domestic receivers, so there will be an energy saving on that side, and the trend in manufacture is consistently down. All the major manufacturers are very strongly committed to producing, and working very hard to produce, the most environmentally friendly sets they can and are committed to doing more and more.

Q548 ***Lord King of Bridgwater:*** I think the Committee were quite surprised to find out what the extra cost for individual households would be of this; it is quite significant. I do not know what it represents also in overall greater impact on national consumption of electricity. It is actually, interestingly enough, going to coincide, as I see the forecasts, with when we are first likely to get the power cuts.
Mr Simon: As you say, all of that research, the impact assessment, the environmental impact assessment and so on have not yet properly begun even, so I cannot give you any more detail than to say—

Q549 ***Lord King of Bridgwater:*** I think you realise that this is a very serious situation. All the people I talk to, the experts in this field, say that we are going to get power cuts because of the failure to actually replace the power stations in this country at the present time, and we are facing a very serious situation. I wonder if this could be a factor in your 'all the conditions must be met before the target of 2015 is actioned'.
Mr Simon: There are no plans to make it a factor at the moment certainly, but the environmental question is one that we and the manufacturers are taking very seriously and on which they are making great strides on a very consistent basis.

Q550 ***Chairman:*** I just want to ask you one question very briefly on television. Would it be fair to say that there is a degree of uncertainty over this whole area of radio switchover, that there is no clarity in the path for the public and no clarity in understanding what is taking place? Do you agree with that and how can it be corrected?
Mr Simon: I think a fairer way to characterise it would be that we are right at the beginning of a very long process and at the moment people have had the process signalled to them, but on much of the detail the analysis has not yet been done, the help scheme has not yet been designed, the impact assessments are yet to be made and so on and, therefore, people have not yet had the information that will become available over the course of this year and next year, which will take them to a place in what will be a similar process in which they have the same certainty and clarity in the radio help scheme in the radio switchover which they have had very successfully in the television switchover. I anticipate a smooth and successful switchover to radio in 2015, as we have had or as we are so far having, having had 20 per cent of it, in television.

Q551 ***Chairman:*** Well, I was going to ask you the last question on television and you have almost given me the reply. You regard it as a great success, do you?
Mr Simon: I am wary of being hubristic or complacent because it is the kind of massive undertaking in which it is always possible for something to go wrong, but so far I do think it is 20 per cent of the way through and it seems to have been conducted, as far as consumers are concerned, with very little difficulty and it has come in greatly under

budget. Yes, I think it is a pretty successful project, and the BBC and Digital UK should be congratulated.

Q552 ***Chairman:*** Are there any lessons?
Mr Simon: There are lots of micro-level lessons that the people responsible are learning on a micro basis and, I am sure, will be transferred to those who end up rolling out the radio switchover, although obviously that is very different in all kinds of ways. I think on the macro level, the most obvious thing to go back to is the extent of the miscalculation of the Help Scheme fund. I think it is much better that it was miscalculated that way round and I think there are very good and understandable reasons, the principal one of which is that digital TV take-up in 2005, when the analysis was done, was 65 per cent and now it is at 90 per cent, and obviously that is a completely different context for the Help Scheme, and procurement came in at £100 million less, which one could never anticipate. That is the obvious thing where, if I were still there, I would be saying, "Let's have a look at how we assessed the likely budget for the Help Scheme and see if we can learn some lessons".

Q553 ***Chairman:*** And, conceivably, how it is financed. The predecessor to this Committee actually said it should come out of the social security budget, which would not have led to the embarrassment of where we are at the moment.
Mr Simon: It seems to me like something that the BBC have been well-equipped to deal with and implement and have done a brilliant job at, and I would not seek to change that aspect.
Chairman: You have been very patient in your farewell appearance as a Minister and altogether, so we seem to be having a record of this as I think Lord Carter did his farewell here as well. I do not know what it is about this Committee which makes people resign, but there we are! May I wish you the best of luck in your future endeavours, personally with one exception: I do not wish you to become the Mayor of Birmingham, but you will realise, as a Conservative Member of Parliament in Birmingham for 27 years, that would not be my dearest wish for you! However, in all your other endeavours, I wish you the best of luck, and thanks for coming this afternoon.

Supplementary memorandum by the Department for Culture, Media and Sport

In Question 493 onwards, the Minister said that the BBC would undertake the build out of digital radio coverage from 90% to 98.5% of the population, which would cost the BBC between £10 million and £20 million a year and was expected to be absorbed within the BBC's current budget.

The Committee queried this in the following questions, principally because the BBC had told them the previous week that the build out to 98.5% would be very expensive and would require a licence fee settlement that enabled them to do it.

There appears to be a disagreement over cost and availability of funding, but before reaching this conclusion we should like to clarify that the Minister and the BBC are talking about the same thing. I should be most grateful if you could confirm that the Minister was referring to the cost of building out the BBC's national multiplex coverage and that the figure of £10–20 million is the Department's current estimate of the cost to the BBC.

Secondly, the Minister said that the transmission infrastructure of FM is ageing and in the medium term will disintegrate unless renewed (Question 484). He was subsequently asked by Lady Howe (Question 505 onwards) about how much longer FM network might be available. The Minister initially says well beyond 2020 and that it could be another 50 years.

It would be most helpful to know whether the Minister is referring just to the infrastructure required for local and community radio to broadcast on FM; or to the whole FM infrastructure currently in use.

I am happy to discuss these points with you or one of your colleagues if that would be the best way to proceed.

> Thank you for your email of 24 February and the questions, following the Committee's evidence sessions, which you are seeking further clarification. I will take each of these issues in turn.
>
> You questioned the Minister's statement about the cost of building out DAB coverage to FM comparable levels. In response to the Committee's first question on the cost to the BBC of building out digital radio coverage, the Minister explained that the cost of building out local multiplex coverage to match FM would be borne up to the point which is commercially viable by the commercial sector and it is assumed that the remaining build-out would be borne by the BBC. This is entirely consistent with the views expressed in the Digital Britain White Paper. Therefore the estimates provided by the Minister, of between £10 millon and £20 million, refer to the potential additional annual cost to the BBC of increasing

the coverage of local multiplexes to FM levels. There is likely to be an additional cost to the BBC of around a further £10 million per annum to build out their own national multiplex.

In addition, you questioned how the BBC would meet the cost of this build-out. In response to questions from the Committee the Minister suggested that these costs would need to be met within the BBC's existing expenditure. In the Digital Britain White Paper the Government suggested that the BBC could have access to some of the Digital Switchover Help Scheme under-spend to support this investment. However, we recognise that this will also need to be considered in the next licence fee negotiations.

The second point you raised related to the continued use of the FM infrastructure. The Minister's reference to "well beyond 2020" was in relation to how long FM would be retained for radio services, not a reference to the potential lifespan of the FM infrastructure. In practice the lifespan of the FM infrastructure will be as long as broadcasters are willing to pay for the infrastructure to be maintained. We believe the cost to be around £200 million and for the large-scale stations (national and large commercial) who would bear the majority of the cost, this investment is better spent on a digital platform.

Many thanks for this helpful clarification.

I have one question. At the end of the first paragraph, you say that "there is likely to be an additional cost to the BBC of around a further £10 million per annum to build out their own national multiplex". Could you specify what build out is referred to here? Is it the build out of the BBC national multiplex from its present level to 90%, or from 90% to 98.5%?

The BBC's current licence fee settlement includes funding to support the roll-out of DAB to 90% of the population. The figure of approximately £10 million relates to the estimated additional cost of rolling out the BBC's national multiplex coverage to match the current coverage of its national analogue services.

I hope that answers your question.

24 February 2010

WEDNESDAY 24 FEBRUARY 2010

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

Memorandum by Intellect

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% of these markets and include blue-chip multinationals as well as early stage technology companies. These industries together generate around 10% of UK GDP and 15% 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 five 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 two 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 four 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 two 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 three 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 four 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 10 million 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 five 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

1 February 2010

Memorandum by the Society of Motor Manufacturers and Traders (SMMT)

1. Introduction

1.1 SMMT is the leading trade association for the UK automotive industry, providing expert advice and information to its members as well as to external organisations. It represents more than 500 member companies ranging from vehicle manufacturers, component and material suppliers to power train providers and design engineers and including suppliers of radios and antennae installed in vehicles. The motor industry is a crucial sector of the UK economy, generating a manufacturing turnover of £51 billion, contributing well over 10% of the UK's total exports and supporting around 800,000 jobs.

1.2 SMMT welcomes this opportunity to provide evidence to the House of Lords Select Committee on Communications about its members' perspective on the migration to digital radio and the five-point plan for the automotive industry announced in the Digital Britain Report ("the report").

1.3 SMMT is engaged with the Department for Business, Innovation and Skills, the Department for Culture Media and Sport and Digital Radio UK in constructive discussions about how to deliver a successful migration to digital radio within the automotive industry.

1.4 Unless otherwise stated, the term "vehicles" in this paper covers cars, commercial vehicles, buses and coaches, motor-homes and any other motor vehicle fitted with a radio. The paper is also based on the assumption that new vehicles will be digitally-enabled by having digital radios installed during production, as opposed to being supplied with analogue radios and digital convertors.

2. Automotive Industry Overview of Digital Migration

2.1 SMMT's members have welcomed the element of certainty introduced by the report. Though the deadline of 2013 for digitally-enabling new vehicles is challenging, it is manageable.

2.2 SMMT members have, however, mentioned a number of concerns:

- — the apparent perception that the markets for in-vehicle radios and domestic radios are similar, if not identical, and that any assumptions about the speed of take up can be applied to both markets;
- — the timeline for adapting the existing vehicle parc;
- — the continued availability of traffic information after 2015 to those driving vehicles which are not digitally-enabled;
- — the extent of radio transmitter coverage;
- — the need for broadcasters to promote the advantages of digital radio to consumers to create demand;
- — safety and security issues arising from the use of digital convertors; and
- — the need for pan-European approaches to the introduction of digital radios in vehicles.

3. The Market for In-vehicle Radios

3.1 There appears to be an assumption that the market for in-vehicle radios and that for domestic radios have similar, if not identical, features. In fact, they differ in five main ways:

- — in the automotive market, the vehicle itself, not the radio, is the reason for the purchase;
- — vehicles are required to undergo an approval process which is far lengthier than any applying to consumer goods;
- — the sizes of the two markets and their dynamics are vastly different, where customers purchase new radios more frequently than they do vehicles;
- — if a radio in a vehicle fails, or even only appears not to work properly, blame is attached to the vehicle manufacturer, whereas the reputational risk if a domestic radio fails is borne by the radio manufacturer; and
- — in automotive applications, the radio is not static. It moves between transmitters and, therefore, complete and national coverage of the digital radio network will be required.

3.2 All vehicles have to be type-approved before they can be sold in the EU. Broadly speaking, the time from beginning product development to receiving type approval averages four years. Though radios themselves do not have to be type approved, they do have to be integrated with other systems in a vehicle and then tested to ensure their compatibility with components which themselves have to be type approved.

3.3 Thus, meeting a deadline of 2013 will be a challenge for vehicle manufacturers who began product development in 2009, but we expect it to be achievable. A bigger challenge is represented by those models already on the market or most of their way through the development cycle, where the manufacturers will have to decide whether to divert engineering resources to the task of digitally-enabling them or provide new vehicles with digital convertors.

3.4 This contrasts with the market for domestic radios. Because they are free-standing, such radios can be designed, put into production, and appear on the market, within months.

4. Timeline for Adapting the Vehicle Parc

4.1 The report suggests that the majority of the vehicle parc should be converted to digital by 2015, with low-cost convertors for the remainder.

4.2 Vehicle manufacturers are certain that retrofitting of digital radios on a large scale is impractical. Vehicles' electronic systems have become increasingly integrated; often, the radio is part of this integration and cannot easily or economically be replaced. A radio has to operate in the vicinity of sensitive electronic components, and poor integration has a detrimental effect on other systems.

4.3 Retrofit also affects the perceived quality of the vehicle:

- — antennae have to be chosen very carefully—reception from an internal antenna may be poor if a vehicle is fitted with infra-red reflection glass, or if a magnetic antenna base is fitted to an aluminium body; and
- — poor refitting of trim items removed to permit a retrofit will cause rattles.

4.4 Drivers will, therefore, be reliant on the use of digital convertors to enable continued use of their analogue radios after 2015. As vehicles have very long lives, most of the vehicles first registered since 2006, if not earlier, will still be in use in 2015. It is likely that over 20 million vehicles will have to be so fitted, and very likely that most of the necessary sales will be made in the few months before the date for digital migration. The commitment for a cost:benefit study to be conducted before any digital migration date is announced is therefore welcomed by vehicle manufacturers because it should firmly identify the progress made towards digitally-enabling the car parc.

5. Traffic Information

5.1 SMMT members consider traffic information to be one of the most important issues arising from the report.

5.2 Drivers' ability to receive traffic information while on the move plays an important part in keeping traffic flowing. Digital Radio Upgrade has serious implications for drivers because current radios, even digital ones, will be unable to receive traffic information. This also applies in the case of current satellite navigation systems, which rely on the FM signal to identify slow moving traffic. Accepting that loss of traffic information will occur would contradict other policies, which attempt to use the flow of information to increase traffic flow, increasing driver safety while reducing emissions.

5.3 Vehicle manufacturers need speedy clarification of government's policy on the future supply of traffic information. This will enable them and their suppliers to develop cost-effective solutions for application both at the point of production and in the aftermarket. In particular, government must consider the feasibility of continuing to supply information on FM for a number of years after the migration date.

6. Transmitter Coverage

6.1 SMMT members are clear that the gaps in digital coverage are a major deterrent to their introduction of digital radios as standard equipment. As outlined above, any vehicle manufacturer bears the reputational risk if a radio in one of its products appears not to work properly. Drivers have become accustomed to the gradual deterioration in FM reception which occurs throughout parts of the UK and recognise this is not the fault of their radios. At the present stage of digital roll-out, shortcomings tend to be blamed on the vehicle manufacturer.

6.2 SMMT members therefore welcome the statements in the report that

- one of the criteria for deciding the date of the Digital Radio Upgrade will be whether national DAB coverage is comparable to FM coverage and that local DAB radio reaches 90% of the population and all major roads; and
- the BBC should begin an aggressive roll-out of the national multiplex to ensure that its national digital radio services achieve coverage equivalent to FM by 2014.

6.3 However, there is also a need for a plan to enable reception on those stretches of road, primarily tunnels and long underpasses, where reception goes "dead" for a short period. At present, for instance, FM coverage in the Dartford Tunnel is addressed by special measures. In shorter tunnels, the FM signal tends to deteriorate but not disappear, whereas the digital signal disappears entirely.

6.4 SMMT members appreciate the way in which the BBC is keeping interested parties including the Society informed of its transmitter roll-out plans and the speed of their implementation.

7. Promotion of the Advantages of Digital Radio

7.1 While vehicle manufacturers will develop their own marketing programmes for digital radio, they are strongly of the view that responsibility for raising the general level of understanding of the advantages of digital radio rests with the broadcasters. They look forward to working with Digital Radio UK, through SMMT, to help this process.

8. Safety and Security Issues

8.1 SMMT members have identified two safety and security concerns.

8.2 The safety concern relates to the amount of information which is presented to a driver. It is recognised that digital radio permits much more information to be available to listeners. However on safety grounds, vehicle manufacturers may wish to limit the amount of information provided to the driver while a vehicle is moving, especially in the form of visual announcements which would be distracting.

8.3 Vehicle manufacturers' security concern arises from the use of portable digital convertors fixed to windscreens. They see these as a possible cause of an increase in the number of "thefts from" vehicles. Although the manufacturers of digital convertors suggest that future products will be capable of being safely installed out of sight, vehicle manufacturers have yet to be convinced that the need for a power supply via a socket in the passenger cabin will disappear. (There has also been some concern that convertors will create a safety hazard by being placed in drivers' vision.)

9. European Collaboration

9.1 The automotive industry is an international one. SMMT's members therefore welcome government's commitment in the five-point plan to work with its European partners in order to maintain a smooth cross-border transition to digital services. That will allow all radios to work in all countries.

10. DAB as the chosen UK Standard

10.1 Vehicle manufacturers and their suppliers have for many years worked from the assumption that DAB will be the UK standard. The international nature of their business means that they will increasingly have to fit their vehicles with radios capable of receiving DAB, DAB + , DMB, DRB or other digital formats in order to sell them in different markets. However, SMMT supports a continuation of the endorsement of the DAB format from government and associated bodies to ensure certainty for vehicle owners through the migration phase and for a substantial period beyond. Any change to that standard would risk further problems in converting the vehicle parc.

1 February, 2010

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 radio and other community media projects amongst other things.

Q555 ***Chairman:*** I am going to do the industry and then I am going to come to community radio. Now we come to Intellect. How do 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 are 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. There 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 parc 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 Economy 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.

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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 Economy 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.

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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 on 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?

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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 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 news and information, 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 kinds 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 yet adequate Wi-Fi around the country to support internet radio. 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: Community radio is the new kid on the block. Obviously you are aware it has now been going for five years. The first licencee'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.

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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. The sector 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 CVS, 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?". There are some stations broadcasting 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 organisations like health, police, fire, people like that, because basically the stations 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 a lot of anecdotal evidence that actually community radio works and the police or the health service suddenly finds people contacting them when they had not before because they heard the message 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 of income 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 and sponsorship at all. Community radio 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 funding is squeezed the new kid gets squeezed out first. 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 on air 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 their grants or Service Level Agreements are very clear about independence. Obviously as a radio broadcasting medium they have also got the Broadcasting Code which means they have to maintain editorial 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 behind the scenes commitment to the future of community radio as the new third tier of radio with its localness as I have just described. For us the Bill 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, 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 this 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 surveys, that kind of thing, to estimate their audience.

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 stations have done local surveys, the listenership seems to be consistent at around ten per cent of the total possible local audience.

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 factor 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 run by volunteers. 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 obligations, for example, 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 localness for people 20 or 30 years from now. So that is a political decision; it is a cost decision but it is also 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 will continue discussions with government about the Community Radio Fund, as we believe it should be much larger, to cover those core costs of running a radio station, to enable stations to deliver 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.

Supplementary memorandum from Intellect

You mentioned at several points this morning, that the Digital Economy Bill will be crucial in providing clarity and will catalyse the market place. I wondered if you could expand on this, as it appears in some ways the Bill provided less clarity than Digital Britain, as it did not contain eg a target date for migration/switchover/upgrade.

The Bill is important as it signifies a clear commitment to digital radio regardless of its lack of detail compared to Digital Britain. Perception is everything and it is the Bill that industry is waiting for to give clarity on the direction from government. We view the Bill as being the equivalent to Tessa Jowell announcing TV switchover in September 2005. To give you an idea of how the market reacted, at that point we were selling about 800,000 digital TVs a year. In the year after the announcement we sold 2.5 Million digital TVs and sales of analogue dropped off significantly. Numbers increased annually after that and in 2009 we sold 10 Million.

Although we were starting to transition slowly to digital TV it was the announcement and clarity from government that made the difference to manufacturers and retailers. Retailers started ordering more digital products and started phasing out analogue. There are of course big differences between TV and Radio eg there is no Freeview for Radio yet so more digital content is needed, but there is no doubt that a positive outcome from the Bill for Radio will help the Radio supply chain move away from analogue and towards digital much faster than it would otherwise have done and attract more manufacturers in to the market.

Whilst the Bill would be an enabling piece of legislation, would it be the equivalent of the 2005 announcement to conduct television switchover (as the 2005 announcement gave a firm commitment to starting switchover in 2008)? Tessa Jowell made clear the Government's commitment to television switchover in September 2003, which would seem more analogous to the Digital Economy Bill being passed.

The announcement in 2005 for television, appears to be the equivalent of the potential announcement in around 2013 for the date that radio switchover would start. Does the industry think the Bill will provide enough clarity on the direction from government?

While correct technically it is the perception that is important. In that sense, the certainty provided by this legislation is what people are waiting for. Back in 2003 the government commitment was not seen as enough for manufacturers to invest in digital as behind the scenes we were still working closely with a very uncertain government on how and when it would actually be done ie there was a big difference in the public announcement and the reality of the government's commitment to digital TV. The target dates are vital as well. The 2003 announcement included no dates, not even targets. Even though we still have to hit the criteria in this instance we know what they are and we know what the target date is. In the eyes of industry that makes this Bill as important as the 2005 announcement.

24 February 2010

Supplementary memorandum by the Society of Motor Manufacturers and Traders (SMMT)

Higher end vehicles are already being fitted with DAB radios. Ford Mondeos are given as an example of cars already being fitted with them. Is this the case? How many other car models are doing this at present? Also, if they are already being fitted, then I assume that they are not yet being fitted with the multistandard chip? How many cars have been sold with DAB radios fitted?

Various manufacturers are supplying digital radio in-vehicle at present, mostly as an optional extra at this stage and sometimes only on the top-level trim options. This is not limited to premium end vehicles however. www.getdigitalradionow.com has a regularly updated list of cars on which digital radio is available.

Cars already in service or entering service in the immediate future will not be fitted with radios using the multi-standard chip.

It is unclear how many vehicles with DAB radios have been sold to date, as this information is not recorded on registration of the vehicle.

Will more cars be fitted with digital radios once the multistandard chip becomes available later this year? When do you think all new cars will be fitted with digital radios?

As the cost of the multi-standard chip decreases, it will become more viable for manufacturers to use it within vehicles. The multi-standard chip is the preferred option for vehicle manufacturers. Manufacturers are working towards ensuring all new cars are digitally enabled by 2013, as outlined in the Digital Britain report.

Are car manufacturers subject to any rules or regulations when it comes to fitting cars with radios, or is it entirely up to manufacturers what radios they decide to put in cars?

Radios fitted in vehicles are often integrated into systems where they have to be tested to ensure their compatibility with components that would have had to be type approved—ie the regulatory process of approving a vehicle to be sold and used on the roads in the EU. There is no requirement on vehicle manufacturers on the type of radio being fitted, and radios themselves do not have to be type approved.

4 March 2010

Written Evidence

Memorandum by Arqiva

Digital Britain (p.92) says that "the infrastructures which deliver analogue radio are decaying and considerable investment would be needed to maintain a full national FM network over the next 20 years". Is this applicable to the national FM infrastructure both for the BBC and commercial radio? How old is the infrastructure? And, what about the local FM infrastructure—how old is that and how long will it function effectively?

While we would not agree that analogue radio infrastructure is "decaying", it is true that some of it will soon require significant investment. The FM transmission networks have been built over a long period of time and some elements such as antennas and masts, although quite old, are capable of many more years of service. In contrast, transmitters become obsolescent in a shorter period of time (circa 25 years) and it has been our practice to periodically replace these systems as and when it becomes appropriate. In most cases, Arqiva owns these transmitter systems and our investment in new equipment has been justified on the basis of long-term contracts with our customers who in turn have had long-term broadcast licences issued by Ofcom. At present, there are a number of analogue transmitters approaching the ends of their lives but there are also others that are brand new having only been installed in the past few years.

At a national level, Arqiva owns all of the transmitters used to provide broadcast services to the BBC and the oldest FM transmitters were installed in the 1980s. Classic FM owns its own transmitters which were installed in the early 1990s at the time of the service being launched. All of these systems provide reliable service at present but would clearly require replacement if we were to retain analogue radio broadcasting for the next 20 years. The investment required would be similar to that needed for the digital radio networks.

For local stations of the size likely to remain on FM, these are generally small in scale and any re-engineering is likely to be minimal. As has been the case in the past, where Arqiva provides transmission services to local FM broadcasters, we would be prepared to continue to repair or replace the transmitter systems where our customers have long-term licences from Ofcom.

The decision as to whether the majority of radio services switch across to DAB is as important to Arqiva as it is to the rest of the industry as it will determine how we invest capital in our networks: if the decision is that analogue radio remains, we will continue to invest in analogue transmitter systems but a decision to switch over will enable us to channel future investment in that direction.

We heard from a member of our Committee who lives in the southwest and whose region will switchover this year, that he has been suffering problems with pixellation—could this be due to the fact that engineers are already working on upgrading the transmitter to digital in preparation for the region's switchover and hence there are reception problems? Is this a common issue before a region switches over?

Main transmitters have mast/antenna upgrades a couple of years ahead of their switchover dates. This is so that any delays due to inclement weather can be made up. Typically services are transferred to a reserve antenna further down the mast while the main antenna is replaced. This can result in some loss of signal for viewers, although the majority will not notice. Existing low-power digital and analogue transmissions are then restored to the (new) main antenna shortly afterwards. This normal situation continues until switchover (24 March and 7 April for Mendip, which serves Bridgwater), although we sometimes use the reserve antenna again in the weeks prior to switchover in order to facilitate a smooth transition. This has been the case at Mendip since 3 February.

Pixellation is caused when the received signal is of insufficient quality or strength to properly decode the digital picture. Without knowing details of the individual's reception conditions, location and aerial arrangements it is impossible for us to comment further. Digital UK is always happy to advise viewers directly on specific switchover issues (tel. 08456 505050).

I hope this information will be of some help.

1 March 2010

Letter from Mr Daniel Nathan, Director, Brighton & Hove Radio Ltd

I am writing to you with a submission for the Select Committee on Communications in my capacity as a Director and lead shareholder in Brighton & Hove Radio Ltd. This supplementary paper follows my support of an earlier document co-authored by the UTV Media & the UKRD radio group. I am prepared to supply further detailed evidence if required.

The Current State of the Government's Plans for Switchover to Digital Radio

Witnessing the passage of the Digital Economy Bill through the Parliamentary process has underscored how ill thought through the idea of switchover or "upgrade" to digital radio has been so far. Recent official papers suggest the Government "hopes to have a comprehensive plan by the end of 2010" and "will carry out a cost benefit analysis" and impact assessment only after the legislation hits the statute books.

A letter from the Rt Hon Lord Mandelson, Secretary of State, Department for Business, Innovation and Skills to the Chairman of the Delegated Powers & Regulatory Reform Committee concedes that DAB upgrade "is unlikely to be an easy task", unlikely "to be resolved quickly" and still requires:

— agreement about the current levels of FM coverage;

— agreement of a plan for building out DAB;

— agreement on the level of investment required; and

— that the funding issue has yet to be agreed between the BBC and the commercial radio.

It appears there is little understanding of the scope of the "Digital Upgrade" project, no knowledge of what it will cost and no idea who will pay for it. These questions surely need to be addressed before Parliament commits to the legislation that is intended to offer a strategic framework for the radio sector.

The Outstanding Technical Issues, Including the Appropriateness of DAB as the Digital Radio Standard

The fundamental problem with the DMB family of digital radio standards—which include the iteration of DAB adopted in the UK, Norway and Denmark is that critical mass was not achieved fifteen or even ten years ago. The promise of new services—interference free and with "CD quality" sound was never realistic and consequently disappointed consumers.

In today's media landscape, FM (and even AM) remain the only truly global broadcast radio solutions on offer, while choice and higher quality sound and supporting digital services are seamlessly integrated online. The digital platform we've built from scratch is barely fit for purpose and yet has drained commercial radio of an estimated £700 million in less than 10 years—considerably more than the sector's annual turnover.

DAB can cost up to 20 times that of local FM transmission. The proposed build out from patchy local coverage with a combination of higher power and fill in DAB transmitters in metropolitan areas can only increase that cost—unless DAB multiplex operators accept some form of price cap. A single FM transmitter can serve a coverage area of up to 30 miles radius and will continue to be the most effective method of local radio transmission.

DAB+ is cited as a potential route to digital broadcast in the medium to longer term. It is certainly true that while it offers more efficient use of spectrum—more stations at less cost with better sound quality. It also degrades less easily than the version of DAB available in the UK—a serious problem when you want to listen to the radio rather than the sound of 'bubbling mud'. However, at present only 4% of radio listening is to digital only radio stations. There is no sign that either public service or commercial broadcasters have the financial resources to deliver the incremental compelling radio content let alone building yet another costly delivery platform from scratch.

The Views of UK Broadcasters, Consumers, and Radio Interest Groups

They key driver for new and younger listening around most of the world is integration of FM receivers in mobile phones (and increasingly accompanying mobile internet delivering on demand supplemental audio/visual functionality). The world's biggest manufacturer of radio sets is therefore . . . Nokia which has sold 700 million FM radio enabled handsets on its own in five years in contrast with cumulative world-wide DAB sales of less than 30 million over 10 years. It is worth adding that only 18% of DAB radio receiver owners in the UK are under the age of 35, according to DRDB data.

The US radio trade organisation NAB considers FM on-board mobile phones as the most significant method of recruiting new radio listeners. The UK's own RAJAR audience data also demonstrates that mobile listening is by far the fastest growing radio platform in this country—and though this figure is sometimes apocryphally conflated with "digital" listening, there is no mobile handset on sale in the UK market with DAB capability. There is also no plan for one. Looking to the near future it should be noted that in Japan (no DAB there!), marrying FM broadcast with mobile internet for "back channel" interactivity and digital services is gaining traction. FM remains the global standard for radio transmission. In the last seven days, the Canadian Government joined the rest of North and South America in effect abandoning DAB by declaring it "no longer a replacement for analogue AM and FM services".

The invisibility of DAB in cars is perhaps the starkest illustration of the platform's inability to gain public acceptance. According to the Digital Radio Working Group own figures, less than 1% of vehicles have DAB radios fitted and yet the same organisation maintains that a full switchover could be a realistic project within five years. Halfords, the UK's largest retailer of in-car entertainment last year withdrew all DAB product from its catalogue—citing low customer satisfaction.

Everyone accepts that there will not be sufficient DAB capacity for many local radio stations to be included in the mooted "Digital Upgrade". The latest wheeze to mollify those that fear being relegated to an "analogue backwater" is the concept of a universal EPG or electronic programme guide. The idea of using common (metadata) standards to navigate seamlessly across different media platforms is already achieved in the latest generation of smartphones. However this is a software driven solution and a costly one at present. A laudable ambition, the Universal EPG will take time and money to develop and it will only fly if global scale allows. Companies like Sony look at markets across the hemisphere rather than by national territory and build what the customer wants rather than what a government decrees. It came as no surprise to discover that Technical Directors of companies like Sony were definitely not consulted prior to Digital Radio UK's announcement of the EPG concept!

The Minister advises us that "considered uncertainty" is the best way to plan for radio's future on the basis that we do not yet understand the market impact of emerging digital technologies. But the rate of that change is actually increasing—so the Government's logic dictates that we will understand less and less. The corollary of our digital age is that ready access to the facts and figures is always available to track development. I would urge a pause to examine this evidence before drafting inappropriate legislation. We have been told that the radio clauses of the Digital Economy Bill are "enabling"—yet on the face of it the only thing enabled is a greater concentration of discretionary power over our businesses by future Governments and their appointed advisors and regulators.

To conclude, what UK radio requires is a pause to consider evidence and to carry out the full cost benefit and impact analysis on any switchover scheme. The process of consultation needs to be opened up to all of radio's stakeholders and not just those who can lobby loudest. At the conclusion of a transparent process, there ought to be certainty in the process of licence awards and re-awards in order that a thriving mixed economy of BBC, Commercial and Community Radio can thrive and prosper.

29 January 2010

BIOGRAPHICAL NOTE

Daniel Nathan is a radio entrepreneur, producer and pioneer in new radio formats and platforms with over twenty five years' experience. Pirate radio in the early 80's lead to co-founding the UK's first "alternative" format Festival Radio with trial licenses in London and Brighton. Spin off Festival Productions made award winning syndicated new music radio, ad campaigns, drama and documentary series for BBC and UK commercial radio. A launch consultant for Kiss 100 in London, Daniel was subsequently the co-founder of Kiss 102 in Manchester, Kiss 105 across Yorkshire (both now Global Radio owned Galaxy) and Surf 107.2 in Brighton (now Juice 107.2). In 2000, he created totallyradio.com—groundbreaking "on demand" internet radio playing music beyond the mainstream. Daniel has lectured in radio and radio production at London's Goldsmiths and Birkbeck Colleges and The University of Sussex. Freelance writing includes *The Guardian* and *City Limits* magazine.

Memorandum by Channel 4

Channel 4 is a publicly-owned, commercially-funded public service broadcaster. Its core public service channel, Channel 4, is a free-to-air service/broadcast across all digital platforms in the United Kingdom/funded predominantly by advertising. In recent years, Channel 4 has broadened its portfolio to offer a range of digital services, including the free-to-air digital television channels Channel 4 + 1, E4, E4 + 1, Film4, More4 and 4Music.

Channel 4 is a key stakeholder in digital broadcasting in the United Kingdom and in the switchover process. Channel 4 is a shareholder in Digital UK ("DUK"), and contributes 11% of its operational budget. Channel 4 was also issued a new broadcasting licence (its Digital Replacement Licence), which includes specific obligations for Channel 4 to roll-out the digital terrestrial network to substantially all of the 1,154 transmitter sites in the United Kingdom, in order to ensure that the coverage of its digital services "substantially replicates" the current coverage of analogue broadcasting.

Assessment of the Switchover Process to Date

In 2009, Digital UK ("DUK") continued to manage and co-ordinate the overall DSO programme.

The switchover process passed a significant milestone with the successful switchover of the Granada region in late 2009. This is the largest single switch that the programme will deal with other than Crystal Palace, which does not take place until 2012. In Channel 4's view the Granada switch was successfully accomplished with a minimum of disruption. Granada is a diverse urban region of three million homes. It was always seen as the big test of the DSO programme and the approach to communications adopted by DUK. DUK handled a large volume of consumer calls during the process with no significant issues.

The principal strengths of the DSO programme to date are the ease with which switchover has taken place and the minimal disruption it has caused to consumers. There has been very little negative publicity or consumer concern about the need to upgrade to digital, which is done at the consumer's expense. In all regions which have switched no more than 1–1.3% of households have called the DUK help line for assistance, which is remarkable given the scale of the programme. Many lessons have been learned as the process has progressed and the ease with which the Granada switchover was accomplished demonstrates the scalability of DUK's overall approach. Much of this has been helped by the fact that so many households have already converted to digital as a result of the overall weight of publicity generated by the DSO programme.

DUK has also overcome a number of challenges through the process to date. For example, the issues raised by retuning for households who had already switched to digital were initially underestimated by DUK. This was, however, recognised very early in 2009 and communication messages were successfully adapted. In addition, the diversity of digital equipment available means that it is extremely challenging to tailor messages about retuning. However, in Channel 4's view, DUK has done a very good job in researching consumer equipment and creating bespoke user guides for most boxes and integrated televisions.

As part of DSO there have also been a very small number of households who have been left with no terrestrial signal or who believe that their terrestrial reception is poorer now than it was before DSO. Because the numbers involved are very small, and the reasons behind any difficulty so diverse, it is hard for a national programme to deal with each case individually. However, DUK has addressed as many of these issues as it practically can, including commissioning research in affected areas to analyse causes and propose solutions.

Considering the scale of the task, we believe the DSO process has been well managed by DUK to date and that DUK's approach to DSO should be able to deal with the remaining regions which have still to switch.

Effectiveness of the Digital Switchover Help Scheme and the Public Communications Campaign

Most of the communication process for switchover is led by DUK, to ensure a co-ordinated approach. DUK undertakes an extensive communications programme in each region prior to DSO. The communications work encompasses a range of media, such as direct marketing via leaflet drops, posters and on-air communications agreed with broadcasters. The communications programme is organised by date prior to switchover and is initially aimed at raising awareness of DSO before moving into specific messages about the dates of switchover and how to retune DTT equipment. As part of the communications programme Channel 4 and other broadcasters have inserted captions over its analogue service on a transmitter by transmitter basis to advise viewers of the need to convert to digital. The timing and weight of these captions are agreed in advance with DUK. Initial findings suggest that these captions have been very effective in driving awareness of switchover.

In addition to the main DSO programme a national re-tune event was co-ordinated by broadcasters and DUK to pave the way for the introduction of high definition services on DTT. This event took place on 30 September 2009. All public service broadcasters played a full and active role in promoting this national retuning campaign. As retuning is recognised as a critical element of DSO the lessons learned from the exercise will be applied to the main DSO programme in 2010. The principal communication method was interactive pop-up captions which delivered specific retune messages. Again, initial findings suggest that these were very effective and these will be used more extensively in future DSO regions.

Channel 4 believes that the public communications campaign has been well handled in the regions which have already switched, as demonstrated by the relative ease of switchover and lack of complaints or negative publicity surrounding DSO.

Channel 4 has no comments on the effectiveness of the Digital Switchover Help Scheme, which it has no part in managing.

5 February 2010

Memorandum by Channel 5 Broadcasting Ltd (Five)

Five welcomes the opportunity to present this brief memorandum on the progress of digital switchover. Our remarks are limited to the current programme of switching off the analogue television signal. We have no commercial interests in radio in the UK, so do not address the other part of the Committee's inquiry.

Five has been engaged in the process of digital switchover from its beginnings. We are on the Board of Digital UK, and play a full role in its activities. We also have a number of specific licence obligations to provide information to viewers about the switchover process, which we fulfil.

We believe the switchover process is proceeding successfully and is on target to be completed by the end of 2012 as planned. Our perception is that Digital UK, Arqiva and the Digital Help Scheme are managing the process in a professional and organised fashion, and as a result disruption to viewers is being kept to a minimum.

The switchover process has been helped immeasurably by the voluntary take-up of digital television by consumers. Around 90% of households have already "gone digital" and Ofcom figures suggest up to 70% of secondary (bedroom, kitchen, etc) sets are also digital. This voluntary acquisition of digital television has made Digital UK's task considerably easier, as the number of households that need to convert sets at the point of switchover is much smaller than it might have been.

Five contributed directly to the take-up of digital television when we launched two new channels, Fiver and Five USA, in autumn 2006. Both channels comprise a mixture of programming originally shown on Five and programming unique to each of them. By extending the range of channels available to viewers, Fiver and Five USA made digital television even more attractive to viewers.

The biggest challenge faced by Five was the move of our main channel from DTT Multiplex A to Multiplex 2 at the end of September last year. This move was necessary to ensure Five would be on a PSB multiplex and hence available at the point of switchover to the same number of households as the other main public service channels, BBC One, BBC Two, ITV1 and Channel 4. The move was timed to reorganise the DTT platform ahead of Granada switchover and the launch of High Definition (HD) services on DTT, and coincided with multiplex moves by other channels.

The move required all DTT receivers to be retuned so they could receive the new channel line-up. Thanks to a co-ordinated effort by Digital UK, Freeview and the broadcasters, there was a major advertising and on-screen campaign which resulted in 96% of all DTT homes having retuned within three weeks of the change taking place.

Five will continue to play a full role in the digital switchover process and looks forward to a successful completion of the programme.

February 2010

Memorandum by Consumer Focus Scotland

About Consumer Focus Scotland

Consumer Focus Scotland started work on 1 October 2008. Consumer Focus Scotland was formed through the merger of three organisations—the Scottish Consumer Council, energywatch Scotland, and Postwatch Scotland.

Consumer Focus Scotland works to secure a fair deal for consumers in both private markets and public services, by promoting fairer markets, greater value for money, and improved customer service. While producers of goods and services are usually well-organised and articulate when protecting their own interests, individual consumers very often are not. The people whose interests we represent are consumers of all kinds: they may be patients, tenants, parents, solicitors' clients, public transport users, or shoppers in a supermarket.

We have a commitment to work on behalf of vulnerable consumers, particularly in the energy and post sectors, and a duty to work on issues of sustainable development.

Introduction

1. Consumer Focus Scotland welcomes the inquiry by the House of Lords Select Committee on Communications into the digital switchover of television and radio.

2. Digital TV and radio can bring many potential benefits for consumers, such as an increased choice of channels, a better and more reliable reception, and more flexibility in programme format and content. However, the process of switching from analogue to digital services can present potential problems for some consumers. The enforced nature of the change inevitably brings some short-term expense and disruption, and there is potential for certain aspects of a switchover process to be particularly challenging and confusing for consumers who are disadvantaged or vulnerable in some way. This is significant as it is often those who are the most isolated or vulnerable who rely on TV and radio as an essential lifeline to the outside world.

3. Our work in relation to digital switchover has, to date, primarily focused on the digital television switchover and therefore our submission to the Committee is largely based on the issues faced by consumers taking part in this switchover process. However we believe that many of the lessons from the switchover to digital television can be applied to the forthcoming switchover to digital radio, where the issues facing consumers are likely to be broadly similar. We note that Ofcom's 2009 Communications Market report for Scotland found that only 26% of consumers in Scotland own a DAB radio, compared to 41% of people across the UK as a whole. Consumer Focus has submitted a separate response to the Committee, focusing on issues around digital radio, and we support the points raised in that submission.

4. The Scottish Borders was one of the first areas in the UK to make the switch from analogue to digital television. Recognising that this was an issue of significant interest, and possible detriment, to consumers in this region the Scottish Consumer Council (SCC), one of our predecessor organisations, established and ran the Digital Diaries Project in the Borders. The aim of this project, which was taken on and completed by Consumer Focus Scotland (CFS), was to gather qualitative information directly from consumers about the digital TV switchover. The project began in summer 2007, nearly 18 months before switchover in the Borders. More than 100 individual consumers signed up to take part, and they provided the SCC/CFS with regular, structured feedback about their day-to-day experiences and observations as they prepared for the switchover. A part-time member of staff was employed and based in the Borders, to recruit the diarists and to support them throughout their participation in the project. The information provided by project participants was collated to produce a number of research reports, which were then used to inform Digital UK of some of the issues and difficulties being experienced by consumers in the Borders.

5. The findings from the Digital Diaries Project form the basis of the evidence set out in this submission. It should be noted that the project was a qualitative study which highlighted the experiences of individual consumers. It was not designed to be statistically representative of the overall population. However, older and disabled people, who may experience particular difficulties or challenges with the switchover process, constituted a relatively large proportion of the respondents.

6. Our evidence is set out below under the following headings:

- Consumers' understanding of switchover;
- Support for vulnerable consumers;
- Outreach support;
- The role of retailers;
- Two levels of service; and
- Switchover in the devolved context.

7. As highlighted above, it is likely that similar issues will be relevant in the switchover to digital radio.

Consumers' Understanding of Switchover

8. Our research in the Borders found that while the project participants in the Borders had a high level of awareness that digital switchover was taking place, this did not always translate into a high level of understanding of all the different elements involved. Digital Diarists reported that they would have liked to have had better information about issues such as the cost involved in buying digital equipment, the choices they would have in selecting digital TV options, how and when they should re-tune their TV equipment, what to do about TV recording equipment, and how they could check if their aerial was appropriate for digital TV.

9. During the switchover in the Borders in-depth information on these questions, and many others, was provided on the Digital UK website, by the Switchover Help Scheme, and by the Digital Outreach project. However some of our research participants felt that the other marketing and advertising materials that were used to inform people about the switchover (eg leaflets, posters, TV adverts) did not always provide enough detail to answer their various queries about the process.

10. The Borders was the first area in the UK to make the switch to digital TV, and we recognise that since then Digital UK has increased the level of information it provides to consumers in printed format, through more specific and in-depth information leaflets. This is welcome and should lead to an improved switchover process for consumers in other parts of Scotland and the UK. But this is also an important lesson to take forward to the switchover to digital radio—that clear and detailed information must be provided at an early stage, that there should not be an over-reliance on web-based materials, and that information is needed in a wide range of different formats to meet the needs of different groups.

11. Digital UK currently collects a wealth of useful data to measure levels of awareness and understanding in all regions preparing for switchover. However Digital UK's four key objectives, against which the success of the switchover programme is ultimately measured, make no mention of consumers' "understanding" and state only that there should be "universal awareness of the switchover" among consumers. In order to further embed the good work being done by Digital UK to improve and measure understanding of the switchover process amongst viewers, we believe it would be beneficial for this objective to be expanded, so that it assesses whether both "universal awareness and understanding of the switchover" has been achieved in each region.

Support for Vulnerable Consumers

12. The Switchover Help Scheme gives support to people who are aged 75 or over, live in a care home, are disabled, or who are registered blind or partially sighted. It provides those who are eligible with suitable digital equipment, helps them to install it in their home, shows them how the equipment works, and provides ongoing support for up to a year after switchover.

13. Our work in the Borders found that the Help Scheme provided vital financial and practical support for vulnerable consumers. Those who had used it spoke positively of the benefits that it offered. However we are concerned that:

- Take-up of the scheme in the Borders was relatively low—only 17% of all eligible consumers used the scheme—and this is a figure we would like to see increased both as the digital TV switchover is rolled out, and if a similar scheme is set up for the digital radio switchover.
- The criteria for accessing the Help Scheme is narrow, and many vulnerable or isolated people are likely to be missing out on support—a particularly important issue given the significant economic challenges that many consumers are currently facing. We would like the criteria be reconsidered, both for ongoing roll out of digital TV switchover, and for any future help scheme that is set up to support consumers with the digital radio switchover.
- Some consumers in the Borders who would have been eligible for the Help Scheme had already taken steps to convert to digital TV before the scheme was advertised in their area. This was partly because general advertising about switchover began in the Borders before the advertising started for the Help Scheme. It is vital that in future the marketing of the Help Scheme is dovetailed with local marketing campaigns about the switchover more generally, to ensure that as many eligible people as possible know about and take up the support they are entitled to. Again, this is a lesson that can be learned for the switchover to digital radio.
- There have been references in a number of recent policy documents to an anticipated underspend from funds set aside for the Help Scheme. With large parts of the UK still to convert to digital TV we are concerned that Help Scheme monies are already being lined up for other purposes. We would not wish for this to become a self-fulfilling prophecy, and it is essential that the Help Scheme is promoted as widely as possible during the remainder of the digital TV switchover process, and that as many eligible individuals as possible are encouraged to use the scheme. To that end, we are pleased that the BBC has appointed a National Manager for Scotland to oversee the delivery of the Help Scheme as switchover goes forward in STV North and STV Central.

Outreach Support

14. Of course, not all those who are disadvantaged or vulnerable are eligible for help through the Switchover Help Scheme. Other vulnerable groups in the switchover to digital TV and radio might include older people aged under 75, people who are socially isolated, individuals with mental health issues, people who have problems with substance misuse, and those for whom English is not their first language.

15. Help and support is available to these individuals through Digital Outreach Ltd, which engages local charities to provide local help and advice during the switchover process. Digital UK and the Switchover Help Scheme also work closely with local voluntary and community organisations. However our evidence from the Scottish Borders suggests that outreach activity in the region was initiated at too late a stage to allow the local voluntary sector time to reach a large number of consumers. In addition, not enough time and resources were set aside to build capacity amongst voluntary organisations to enable them to provide widespread support to consumers.

16. We know that Digital Outreach Ltd is contracted to provide Digital UK with an outreach plan ten months before switchover in a region, and to begin work six months before switchover in that region. However, we are concerned that these timescales may not give local voluntary organisations the time and resources that they need to develop their own capacity in relation to switchover, and to then reach out and help vulnerable consumers before they experience any unnecessary anxieties, difficulties or expense. We suggest that it may be beneficial for outreach programmes to actually begin work at least a year before the first switchover date in each region.

17. In order to provide additional support to intermediary organisations which are helping service users to make the switch to digital TV Consumer Focus Scotland is planning to develop a simple resource, based on our work in the Borders, directing these organisations to the key sources of help and guidance, and providing basic information about some of the questions and issues that they may wish to consider. We are working with Digital UK, Switchover Help Scheme, and Digital Outreach on the development of this resource.

The Role of Retailers

18. Retailers are a valuable source of information for consumers about digital switchover. Our Digital Diarists in the Borders reported that they preferred purchasing digital TV equipment from a trusted local provider, rather from a shop that is part of a large chain. Digital UK now employs Retail Support Executives to train, inform and advise retailers on different aspects of the switchover process. This is welcome, and we would particularly encourage these advisers to engage with the local providers that consumers know and trust but who may need additional advice and support in order to engage with the switchover process.

19. Trading Standards departments have a key role to play as part of their responsibilities under the Unfair Commercial Practices Directive.[1] If retailers provide consumers with incorrect or incomplete advice about digital equipment then there is potential for action to be taken against them—but this must be done by Trading Standards officers rather than the consumer. We would urge Digital UK to continue its work with local Trading Standards departments to ensure they understand the critical role they have to play in relation to digital switchover. We would also encourage Digital UK to include more details about the role of Trading Standards in the information that is produced for consumers—to help raise awareness amongst consumers of the options open to them if they are not satisfied with the advice they receive.

Two Levels of Service

20. Many areas of Scotland receive their television signal through relay transmitters, which are not capable of carrying the full Freeview digital service. Viewers in these areas receive a reduced version of the service and have access to around 20 Freeview channels rather than the full package of 40. In the Borders, for example, 47% of homes receive this reduced level of service. Unsurprisingly many of the participants in our Digital Diaries project who now receive Freeview through a relay transmitter service are deeply unhappy about the lower level of service that they receive, particularly given that it cost them the same amount of money to switch as those receiving twice as many channels.

21. Digital UK provides information in its marketing and advertising materials and on its website about which households will receive fewer Freeview channels. We also recognise that 20 Freeview channels still represents a significant increase from the five terrestrial channels that were previously available through analogue. However we believe there is a question of fairness here which must be addressed. It is estimated that 90% of the UK population will be able to receive 40 Freeview channels following the digital TV switchover. The Digital Britain report meanwhile has a target of delivering Next Generation Access to broadband to 90% of the UK population. It is likely that there will be a high level of correlation between those receiving the reduced Freeview service and those missing out on the NGA roll out—that is, those living in remote rural

[1] This Directive was implemented by The Consumer Protection from Unfair Trading Regulations 2008.

areas, a disproportionate number of whom are likely to be in Scotland. This is problematic, particularly when it is considered that it is consumers in these areas who would arguably benefit the most from new communications technologies and the opportunities that they offer to reduce isolation and provide better access to services and markets. Action is needed to help consumers in these areas, and to tackle rather than exacerbate the digital divide.

22. One way in which this might be done is by using the proceeds from the auction of the spectrum freed-up by the digital TV switchover. It is essential that the needs and interests of consumers in remote rural areas are prioritised when the UK Government is deciding how the monies from this auction should be spent. This might be, for example, by upgrading relay transmitters or by investing in improvements to other telecommunications technologies in these areas that would support access to digital TV.

Switchover in the Devolved Context

23. Digital inclusion is a key public and social policy issue in Scotland. It is linked to the Scottish Government's wider social inclusion agenda, and it is critical in supporting the regeneration and economic development of both rural and urban communities—an important devolved policy issue.

24. The digital switchover process, which represents a major change to the UK's communications landscape, is being managed at a UK level. However the devolved context and the central role of the digital inclusion agenda in Scotland means that there is a clear need for Scottish stakeholders to be meaningfully engaged and involved in switchover. This is vital in order to ensure that the specific needs of consumers in Scotland are appropriately identified, responded to and addressed, and to help ensure that there is a consistent and coherent policy approach on this issue between the UK and Scottish Governments.

25. We welcome the work that Digital UK, a UK level organisation, has undertaken to recognise the importance of the devolved institutions, to establish a strong presence in Scotland, both at Scottish and local level, and to engage with stakeholders and consumers across Scotland. It is critical that similar arrangements are put in place at an early stage to support the switchover to digital radio. In doing so it is important to remember that devolution is not the same as regionalisation and there is a distinct Scottish political and stakeholder community that must be engaged with.

February 2010

Memorandum by Frome Community Productions CIC

Executive Summary

1. FCP believes that:

- (a) Digital switch over for radio should happen sooner rather than later in order to free up FM spectrum.
- (b) DAB is an acceptable, although limited digital standard.
- (c) Digital switch over for radio should embrace both DAB and Internet Radio.
- (d) Manufacturers of domestic (in homes) and mobile systems (in car and on phone) should be encouraged to incorporate DAB, Internet Radio and FM into their devices.
- (e) FM must remain a viable means of receiving radio output in both the commercial and domestic market places.
- (f) The development of internet radio should be actively supported by Government.
- (g) A "kite mark" or light touch license should be made available for responsible or semi professional internet broadcasters who choose to take up the option, to provide confidence, compliance & accountability to the listener.

Background and Context

2. Frome Community Productions (FCP) is a Community Interest Company established by volunteers in Frome, Somerset. Its primary role is the delivery of an internet based community radio service called FromeFM. FCP expects OfCom to announce invitations for a third round of FM community radio licences in 2010 and, if invited, FCP will be making an application. Currently FCP has around 80 volunteers, producing appx 20 hours of new radio programmes per week, broadcasting 24/7 via the internet delivering

"listen now", "listen again" and "podcast download" services as well as a "listen now" stream, for data equipped mobile telephones. The services are regularly consumed by appx 500 unique listeners (listen now) per month and the listen again and podcast services collectively account for around 1,200 downloads per month. FCP considers itself a typical small scale community broadcaster.

3. The Lords are seeking evidence, views and opinions on Digital Switch Over. The contribution from FCP is restricted to the question with respect to radio.

Switch over and FM Spectrum Availability

4. As a community broadcasting FCP's specific area of interest is in the availability of FM spectrum. Ofcom have yet to announce if they will be undertaking a third round of community radio licences, but have already issued a warning that FM spectrum may not be available in some parts of the country. Given that around 200 community stations have already been licensed, this would imply that there is likely to be a ceiling imposed for technical reasons on community broadcasting over the coming year.

5. Given a ceiling for community radio licences due to the lack of availability of FM spectrum, FCP welcomes a switch over for main stream services, so that adequate FM provision is freed up to enable much wider community take-up. If the switch over does not establish a rapid timetable, then the roll out of community licences will slow dramatically, leaving a demand gap.

6. Community Radio has a huge potential for helping to deliver economic and social regeneration and social cohesion, whether as an internet based or FM service. It helps communities to find their own voices, understand their own problems and find their own solutions. It brings artists, writers, musicians, businessmen, entrepreneurs, politicians, community leaders and the rest of us everyday folk together to make a contribution. It can be informative, entertaining and inspirational.

7. Community Radio is still in its infancy in this country. If accelerated digital switch over for radio frees up FM spectrum to enable wider community radio take-up, then that can only be a real benefit to both the local and national community.

DAB as an Appropriate Digital Standard—Overview

8. FCP's view is that DAB is one solution for digital switch over of radio, but web based internet radio offers significantly more advantages to DAB and should be developed alongside. FCP's reasons for this view will be explored further within this evidence.

Risks of Switch Over

9. When mainstream radio migrates to digital, there is a risk that FM will rapidly become obsolete.

10. DAB take-up has been slow partially because of the cost of DAB, but also because FM has the maximum reach into consumer behaviour. Almost everyone has access to an FM receiver. Consumers will be reluctant to embrace change unless they are actively led to it.

11. Our experience as an internet only broadcaster has shown that, although the public is very much now attuned to working digitally with social networking and email, there is still resistance in using the same technologies for mainstream "entertainment", despite the huge impact of the BBC iPlayer and Youtube.

12. This reluctance is partially generational but in our experience the biggest obstacle is a perception of complexity.

13. We have also observed institutional resistance to new digital access channels—they are seen as less credible than traditional FM broadcasts. When FCP approaches local businesses as potential sponsors, they are more interested in supporting short term (two to four week) FM broadcasts than regular 52 week internet broadcasts, even where cost isn't a factor. There is a perception that FM will attract more listeners and is less complex for the listener to receive.

14. RAJAR have recently announced statistics that confirm a large increase in consumer take-up of internet based radio services. Formal switch over will force both the consumer and the manufacturer to migrate and reinforce the validity of digital to the business community.

15. Switch over to digital must not result in the loss of household & widespread FM capability This is a real risk, since the market will migrate to devices and channels upon which the market leaders broadcast. To maintain competitiveness, manufacturers may remove functionality, such as FM, from their devices. If FM capable devices become scarcer or expensive, then community broadcasting and other legacy FM broadcasters would be paying the price for digital switch over.

DAB as an Appropriate Digital Standard—Further Detail

16. The Lords have asked about DAB and whether it is appropriate as a digital standard. There will be many technical debates about DAB, but we would like to address the issue of capability and value for money for the consumer.

17. Locally, our DAB service delivers a choice of around 30 stations. The quality is variable, but broadly speaking it works well. However, wifi internet radio receives around 10,000 stations from all over the world. The cost of a good internet radio receiver (if a computer is not used for the task) is probably slightly higher than that of a good DAB radio. However, whereas consumers have a choice of perhaps 10 DAB equipped radio sets at the local electrical store, there is probably only a choice of two wi-fi internet radios.

18. The internet radio receiver provides a solution to the consumer that removes much of the complexity discussed earlier. It looks and feels like a radio, whilst, internally being a computer. If you accept the Government's aspiration for a Digital Britain, then it follows that the capability to receive digital media should also become more accessible. Internet radio sets contribute to that aim.

19. FCP's opinion is that whilst DAB offers an acceptable service, the future is with internet radio. This is particularly interesting when you link it with the advances in mobile technology. Our FromeFM internet radio service broadcasts can be received on data equipped mobile telephones via 3G. Typically a listener will connect their mobile telephone to their car stereo (it connects like any MP3 player) and listen to FromeFM en route to and from work. The quality and connection is consistent—FromeFM delivers a lower bandwidth version for mobiles, but it is as good as most DAB and FM stations and considerably better than most AM stations.

20. Manufacturers of car stereo systems have been slow to move to DAB for their own reasons, but we would argue that mobile data technology is now ready to take a further leap and become common place in the car so that a car stereo system can access quality internet radio.

21. In summary, we believe that the Government should consider adopting both DAB and internet radio as their strategy for achieving digital switch over for radio.

Licensing and Regulation

22. If the Government were to adopt this approach, they would have to consider the issues of licensing and regulation.

23. FM/AM and DAB broadcasters are subject to licensing and regulation by OfCom. This provides accountability, confidence and compliance with standards. It is however complex, relatively expensive and exclusive.

24. Whereas FCP would not recommend the introduction of a licensing system for all forms of internet broadcasting, we believe that there is a case for a light touch licence—almost a kite mark—for responsible internet broadcasters, who choose to take up the option.

25. FCP operates its FromeFM internet service in the spirit of, and as far as possible in accordance with, the guidelines laid down by OfCom for licensed FM broadcasters. It is licensed by PRS and PPL to "webcast", is covered by public liability insurance. It is also mindful of its responsibilities to Companies House and The Community Interest Company Regulator. In short it operates as a responsible internet broadcaster.

26. FCP is of the opinion that the development and support of responsible internet broadcasting would benefit both the community and the aspirations of digital switch over since it would deliver a regulated and licensed layer comparable to, but less complex than, FM licensing.

27. The demand for FM spectrum is greater than its availability, so it is inevitable that, if community broadcasting for example continues to gather pace, the broadcasters who will not have access to FM will migrate themselves to internet broadcasting.

28. The terms and conditions for being accredited as a responsible internet broadcaster (i.e to receive the "kite mark") will need to be established, however we would suggest that the core of the existing requirements for an FM licensee should apply. For example, we would expect the broadcaster to be a formally constituted body such as a company or a community interest company and that the organisation would "sign up" to OfCom's Broadcasting Code of Conduct.

29. Although being accredited as a responsible, licensed and regulated internet broadcaster will not overcome discrimination in the market place, it would add a layer of credibility and confidence that would help such a broadcaster differentiate themselves from an association of people webcasting from their back bedroom.

30. We have stressed light touch regulation earlier in this evidence and we would like to make that point again. The existing regulatory overhead for FM broadcasting is complex for community broadcasters. A future, voluntary regulatory environment for responsible internet broadcasting needs to be light touch, effective, responsive to change and affordable.

Summary

31. FCP believes that:

(a) Digital switch over for radio should happen sooner rather than later in order to free up FM spectrum.

(b) DAB is an acceptable, although limited digital standard.

(c) Digital switch over for radio should embrace both DAB and Internet Radio.

(d) Manufacturers of domestic (in homes) and mobile systems (in car and on phone) should be encouraged to incorporate DAB, Internet Radio and FM into their devices.

(e) FM must remain a viable means of receiving radio output in both the commercial and domestic market places.

(f) The development of internet radio should be supported.

(g) A "kite mark" or light touch license should be made available for responsible or semi professional internet broadcasters who choose to take up the option to provide confidence, compliance and accountability to the listener.

18 January 2010

Memorandum by Preston Community Arts Project (Prescap Ltd)

Introduction

1. Prescap Ltd (Preston Community Arts Project) is a registered charity, currently running the "Preston FM" community radio project in Preston, Lancashire. The project launched in 2005 and is currently broadcasting under a full-time community radio licence, issued by Ofcom. Preston FM currently engages around 300 volunteers from Preston and the surrounding areas, as well as working with a large number of community, voluntary and statutory organisations in the city.

2. Community radio stations are non-profit-making radio services, designed to operate on a small-scale and to deliver community benefits ("social gain") to one or more communities. The first station launched in 2005 and there are currently over 200 licensed stations in the UK.

3. In autumn 2009, Prescap was engaged by the Digital Switchover Help Scheme to help raise awareness of the Help Scheme before and during the digital television switchover in the Granada region. On behalf of the Help Scheme, Prescap engaged 19 community radio stations across the region (including its own station, Preston FM) to broadcast on-air content to raise awareness of the services offered to eligible people by the Help Scheme.

4. The community radio activity commissioned by the Help Scheme aimed to target eligible people—and the friends and family of eligible people—with a specific focus on hard-to-reach communities that are well served by community radio stations.

Activities and Outputs

5. Activity took place in two waves—the first centred around an "Action Week" prior to the first switchover date in the region (DSO1), where all participating stations broadcast Community Service Announcements (CSAs), interviews and reports connected to the Help Scheme. The high intensity of coverage during the week was supplemented by a "nose" and "tail" of CSA broadcasts before and after the Action Week. The second wave of activity took place immediately before and after the second switchover date (DSO2), and consisted of CSAs and vox-pops.

6. In total across the two waves, participating stations collectively produced:

(a) 166 CSAs, broadcast a total of 14,734 times, in English and seven community languages.

(b) 37 interviews, broadcast 105 times.

(c) Over 100 broadcasts of a report following beneficiaries of the Help Scheme.

(d) Audio, text and visual content on 19 station websites.

7. In addition, many of the participating community radio stations undertook additional activities to promote the Help Scheme and to raise awareness of the digital switchover more generally. These included roadshows; on-air features; news coverage; direct promotion to local people involved in the stations' activities; and provision of volunteers to assist with staffing help points and running re-tuning demonstrations.

8. A total of 307 community radio volunteers were involved in preparing and implementing the activity, alongside 52 community radio staff and nine interview guests supplied by the Help Scheme; EAGA; Digital UK; and Digital Outreach. The project was co-ordinated by Prescap, liaising with the main Help Scheme office in London and local Help Scheme staff in the region.

Impact

9. Feedback from listeners was strong—and participating stations received more than 650 contacts from members of the public during the project. The majority of contacts were requesting more information about the Help Scheme specifically, or the switchover in general. In particular, stations targeting speakers of community languages reported a relatively high number of callers, and station personnel were able to explain about the switchover (in an appropriate language) and direct callers to the Help Scheme number where appropriate.

10. Common themes within listener feedback included:

(a) Listeners from the help scheme target groups who were not aware of the switchover and/or the help scheme. Listeners contacted stations to clarify the messages being broadcast or to request more information on the topic.

(b) Listeners who had themselves taken advantage of the help scheme (or whose friends or family had done so), who contacted stations to express their thanks for making them aware of what was available or to share their positive experiences of the scheme. The fact that some listeners made the effort to contact stations in this way is indicative of a larger number of "silent" listeners whose awareness was raised by the campaign.

(c) Some confusion over specific issues—mostly related to the effect the switchover would have on analogue radio or the loss of the correct regional BBC service during switchover—which stations were able to address directly or refer to other appropriate sources of information.

(d) Many requests for help on specific personal circumstances—be it with regard to equipment or eligibility for help. Again, these were dealt with directly if the answer was readily apparent, or referred as appropriate.

(e) Some negative feedback from those who were not welcoming of the switchover, for cost or picture quality reasons.

11. Impact was not confined to listeners: most participating stations identified benefits for the local volunteers taking part in the project, who had engaged with enthusiasm and enjoyment. In particular, the "kudos" of being involved in a project with the BBC was a highlight for many volunteers. This enthusiasm also filtered down to volunteers spreading the key messages within their own friendship groups and family networks, adding to the impact of the campaign.

Conclusions and Learning Points

12. We believe that the involvement of community radio in supporting the Help Scheme before and after the digital switchover in the Granada region had a significant impact in ensuring that eligible people were aware of, and able to take advantage of, the assistance available to them through the scheme.

13. The community radio sector in the North West is proud of how it has helped to raise the profile of the Help Scheme. The collaboration between participating stations—many of them very small, volunteer-led organisations—and the various agencies involved in the switchover (led in this project by the Help Scheme) was a positive experience for all involved. Community radio stations were able to achieve more by working together than they would have done individually; and the impact evidenced by the project will encourage more joint working in the future. The relationship built up between the stations and switchover organisations helped not only with the Help Scheme project but also with other switchover-related content carried by participating stations. The fee paid by the Help Scheme for the project will also help stations—many of whom regularly struggle for funding—to continue their wider social-gain activities.

14. The success of the project was underpinned by the understanding of the community radio sector displayed by the Help Scheme: working alongside community radio is not the same as commissioning an advertising campaign on a commercial radio station. This understanding, coupled with a flexible and pragmatic approach to the project on both sides, resulted in a collaborative piece of work with maximum impact.

15. Learning gained from the project has been passed on to the Community Media Association (CMA—the national umbrella body for community radio and television) to assist with potential future community radio involvement as switchover comes to other areas of the UK. It is hoped that future switchover regions will benefit from the experiences of the Granada project—Prescap will continue to liaise with the CMA and the Help Scheme wherever possible to ensure this.

February 2010

Memorandum by Michael Starks

1. This submission relates specifically to the Inquiry's consideration of "the current state of the Government's plans for switchover to digital radio". It concerns the process to be adopted for decision-making and it draws on the experience accumulated by the Government, Ofcom, the broadcasters, the receiver industry, consumer representatives and other stakeholders in the UK Digital TV Project, which led to the key decisions on digital television switchover.

2. Digital switchover depends upon a complex and sophisticated relationship between public policy and the market. It is not under the full control of governments and regulators, nor under that of broadcasters and the receiver industry. It can be achieved through the interplay of the decisions of all four and their impact on consumer behaviour. The process holds technical, legal, commercial and political risks, as the early history shows. Commercial digital TV broadcasters went bankrupt in the UK and Spain. In the United States and Australia, and elsewhere, politically-determined analogue switch-off dates had to be postponed. As experience has grown, the risks of digital television switchover have become more manageable and some of this experience could be helpful in respect of digital switchover for radio.

3. That is not to say that the two cases are similar. Quite the contrary, several factors make them obviously different eg:

— the consumer proposition which differentiates digital from analogue;

— the importance of (and international dimension to) car radio;

— variations in technical standards within Europe;

— the likely value of the potential spectrum benefits; and

— the sheer volume of radio receivers and the limited role of adaptors.

The decision-making for radio therefore needs to be fresh—and also rigorous and robust. It is in designing a rigorous and robust process for radio that the television experience could be helpful.

4. When the UK Digital TV Project was formed in 2001, the Government had set two criteria which had to be met prior to analogue television switch-off and it had named a span of dates within which it expected these criteria to be met. This is not dissimilar to the political situation in which radio finds itself today, with two migration criteria (a 50% share of listening to be digital and coverage targets for national and local radio) and an "intention that the criteria should be met by the end of 2013" which could then trigger an announcement of switchover in 2015.

5. For television, back in 2002 when I joined the Digital Television Project as manager, this combination of criteria and a Government-expected timetable felt awkward. It left a degree of ambiguity about whether the Government had definitely committed to analogue television switch-off. It would have been easy for the Project to have carried out all the actions under its own control and influence, but if the criteria had still not been met when the notional target dates arrived, what then? The receiver industry would not end the production of analogue TV sets, nor would consumers stop buying them. So in 2003 we asked our Ministerial Steering Board to make it the Project's objective to:

— enable Ministers to decide whether to proceed to switchover; and

— then enable Ministers to decide how and when to do so.

To assist the market in its investment decisions, the question "whether?" needed to be answered without ambivalence and the answer to the question "when?" would only stick if the question "how?" was answered first. (1)

6. This same logic is applicable now to the case of radio. A pair of criteria and a target date does not constitute a commitment robust enough to withstand changes of Minister and changes of government (especially if the 2013 target date were to start to look unrealistic). To secure a robust answer to the question "whether?", it is necessary stand back and address the question head-on, spelling out fully what would be entailed. This would include:

- articulating the scale of the task (the number of receivers, the number requiring replacement, the current market rate of replacement, etc);
- thinking through the financial and commercial implications of re-using the vacated VHF spectrum for "a new tier of ultra-local radio";
- explaining the proposals for AM radio spectrum;
- seriously evaluating the best alternative to the complete switch-off of national and local services on FM (some form of coexistence of digital and analogue radio services based on DAB/FM receivers, not unlike the pattern of FM/AM coexistence); and
- undertaking a Cost-Benefit Analysis and estimating how long a period would elapse before the benefits outweighed the costs.

Provided the evidence warranted it, the Government could then be invited to make a firm commitment to digital radio switchover irrespective of precise share of listening or coverage figures.

7. Proceeding to the question "how?" would involve:

- detailed frequency planning and coverage predictions;
- assessing the scope for adaptors and the price trends for new sets;
- spelling out the practicalities and costs for car radios;
- mapping out the coordination required with other countries;
- undertaking a risk analysis, including the risk of current digital radio receivers being overtaken by a new generation of technology;
- developing a strategy for public communication and persuasion;
- making provision for the public funding required for publicity and any assisted-help scheme;
- a regulatory impact assessment; and
- a small-scale pilot designed to test the practicalities.

8. To inform a political decision then on the question "when?" an analysis would then need to include:

- the balance between voluntary market take-up and compulsion for a range of switchover dates (the earlier the switchover date, the greater the element of compulsion);
- the perspective of broadcaster transmission infrastructure investment; and
- the known switchover timetables of other relevant countries.

At that point it should be possible to name a timetable which would stick. Both from the consumer point of view and from a commercial business standpoint, this would seem preferable to announcing dates with a high risk of postponement and an accompanying loss of credibility.

9. Much of this work, including a proposed Cost-Benefit Analysis, is covered by the agenda of the Digital Radio Upgrade team, currently implementing recommendations of the *Digital Britain* White Paper (2) and building on the earlier work of the Digital Radio Working Group (3). The difference, however, between the digital television approach, as described above, and the current activity on digital radio switchover lies in the remit. The foundation for the radio work at present could be perceived as a tactical judgment that naming an early date in the White Paper (two years ahead of the timetable aired by the Digital Radio Working Group) might alert consumers and boost digital radio sales. While this may have some immediate short-term results, a Government "intention that the criteria should be met by the end of 2013", does not constitute a firm commitment on which broadcasters, the receiver industry and consumers can rely.

10. As a first step now the Government should therefore commission the necessary work (including pulling together work already done and proceeding with its proposed Cost-Benefit Analysis) to enable it to take a firm and solid decision on whether to implement digital radio switchover, having seriously examined the best alternative.

11. If the digital radio switchover case is a strong one, it can then be stated publicly. For television switchover, we stressed to the Government the importance of explaining the rationale well before any compulsory timetable started to bite. We warned that obliging consumers to spend their own money on TV equipment they would not otherwise have bought at the time (or in some cases at all) could prove unpopular, unless the reasons were understood and accepted. Explanation needed to go beyond lauding the benefits of digital to showing why analogue had to be switched off on a fixed date (4). Radio switchover must face a similar issue. Sceptics would need persuasion with convincing arguments based on a rigorous analysis of the alternatives (a protest march on Broadcasting House in 1991 led to a swift reversal of a BBC decision to cease transmitting Radio 4 on long wave).

12. Above all, a well-grounded and robust decision would reduce uncertainty for broadcasters, receiver manufacturers and consumers. For television, we were able to secure a firm decision in principle in 2003, two years before the Government was ready to name the timetable. For radio, as *Digital Britain* noted, the biggest barrier to a digital future is "a lack of clarity and commitment to the DAB platform". There must at present be a significant risk that, when the end of 2013 arrives, if the criteria have not been fully met, this lack of clarity about the switchover commitment would persist. It is possible to reduce that uncertainty. While the radio switchover case is in many respects different from that of television, the logic of deciding whether? how? when?, in that order, is applicable to both.

NOTES:

(1) DCMS and DTI, *Report of the Digital Television Project,* published March 2005.

(2) DCMS and DBIS, *Digital Britain Implementation Update,* December 2009.

(3) DCMS, *Digital Radio Working Group: Final Report,* December 2008.

(4) Starks, M, *Switching to Digital Television,* Intellect Books, Bristol, 2007.

21 January 2010

Memorandum by Voice of the Listener & Viewer

Voice of the Listener & Viewer (VLV) is an independent, non-profit-making association, free from political, commercial and sectarian affiliations, working for quality and diversity in British broadcasting. VLV represents the interests of listeners and viewers as citizens and consumers across the full range of broadcasting issues. VLV is concerned with the structures, regulation, funding and institutions that underpin the British Broadcasting system.

INTRODUCTION AND SUMMARY

Our evidence will concentrate on the proposals for a switchover to digital transmission of radio as we consider this is the area of the inquiry where we have something unique to contribute.

The proposals for the switch to digital broadcasting of most radio in the UK come from the Digital Britain Final Report. The report makes a very good case for the unique nature of radio . . . being a flexible medium, radio's appeal to the listener is that it is more than simply a stream of audio: it is an intimate, portable and ambient medium; and it is a very personal medium: the pictures that it forms inside our heads are different for every listener.

In addition to considering the proposals in the *Digital Britain Final Report* we also indicate aspects of the process that will have a major impact on consumers and citizens.

Our evidence includes comments on the following:

- The state of the governments planning.
- Outstanding technical issues especially coverage.
- The change should only happen when the correct technology has been chosen and tested.
- The criteria to be met to trigger the change.
- The speed of the proposed timetable.
- The cost of the change to each listener.

— The functionality of the equipment.

— The sound quality of digital broadcasts.

— Digital Radio in road vehicles.

— The impact on broadcasting in the Nations and Regions of the United Kingdom.

— Community Radio and Analogue.

Radio is a vital element in the lives of many citizens of the Nations and Regions of the UK. The switch from analogue to digital will be a major change for the medium. The switchover should only happen when listeners have sufficient confidence in the change. Implicit should be the evidence that consumers have adopted the new technology in the numbers similar to those that had converted to digital television when switchover began. This figure must be for listeners, not households. As we explain below the proposals in the *Digital Britain Final Report* indicate an approach that is too fast and will risk alienating all strata of society, while putting at risk a well trusted media that is vital to many of the most vulnerable and isolated of our fellow citizens.

VLV has been involved with digital switchover as a member of the various consumer expert groups that have been set up throughout the switchover process. We have taken a particular interest in the proposals for radio, commenting on the three Ofcom consultations since 2004 and serving as one of two consumers on the Digital Radio Working Group in 2008.

A. The State of the Government's Plans for Switchover to Digital Radio

Following the final *Digital Britain Report* we are aware that the government is working on the detailed plans for the switchover. We have major concerns about the impact on consumers of the plans as outlined in the report which we cover in section D. On the basis of our experience of the planning for TV Digital Switchover (DSO) we have no reason to doubt that the plans for radio will be thorough but await the details before making a final judgment.

However we draw attention to two factors:

1. A cost benefit analysis (CBA) was undertaken for Ofcom and delivered in February 2009. The CBA makes a number of fundamental recommendations and indicates areas for further appraisal. We hope the government has taken note of the CBA. Some of the findings reflect our consumer concerns covered below.

2. Radio DSO will be a totally different consumer experience from TV DSO as most consumers will need to purchase new equipment rather than just a set top box. It is important that the government plans reflect this rather than just replicate the current TV DSO project.

B. Outstanding Technical Issues

Our concerns about technical issues and the appropriateness of DAB as the digital radio standard overlap in part with our concerns about the impact on the consumer covered at D.

1. *Coverage*

The final *Digital Britain Report* painted an optimistic picture of DAB reception. There is much anecdotal evidence that DAB reception is very patchy even in the densely populated south east. It took several decades to achieve the current 98% VHF coverage for the UK. The final *Digital Britain Report* expects that by 2013 national DAB coverage will be comparable to the 98% FM coverage, and local DAB will reach 90% of the population and all major roads. This is one of the triggers for radio DSO in 2015. We question if these reception trigger criteria can be achieved by 2013 and consider that universal coverage of DAB is probably a decade away. Before the switch-off of analogue radio can be contemplated there must be certainty that the new technology will deliver the same quality and coverage ie 98% or better. This is important as analogue reception deteriorates gradually and listeners in poor reception areas still receive a signal but with loss of quality. Digital reception ends abruptly with annoying plopping sounds. We are also concerned that the 98% figure should apply to the national stations in the Nations. See D9 below.

The last major change in radio transmission systems was the introduction of VHF. The VHF roll out occurred while all national stations were still available on AM or LW. There was an alternative. At present the digital switchover proposals do not include this safety net as at present most analogue transmissions will cease at switchover.

2. *Long Wave and other analogue broadcasts*

The final *Digital Britain Report* was silent on the future of long wave. We understand that it is only used by the BBC and it is for the Corporation to determine the future use of this spectrum. At present it ensures that BBC Radio 4 can be received across the entire UK and the near continent. We consider that the retention of this frequency is important as many analogue radios are still capable of receiving the transmissions.

3. *Sound quality of digital radio broadcasts*

We cover this in detail at D 6 below.

C. The Appropriateness of DAB as the Digital Radio Standard

VLV considers that the wrong technology has been chosen. DAB is 1990's technology that the rest of Europe has superseded. The next generation technology is superior and should be the basis for the digital radio switch-over. From now on there must be strenuous attempts to ensure that the technology used in radios is as future-proof as possible. The commercial sector, which is part of the drive behind the early adoption of digital radio switch-over, would be foolish to allow itself to be encumbered with an old technology.

The environmental concerns of the 21st century mean that the days of dumping equipment every few years as it becomes obsolete should be over. We welcome the undertaking in the white paper that the government will promote receivers which are capable of utilising all the digital technologies being introduced across Europe. Some manufacturers are already producing radios that can be upgraded as new transmission technologies are adopted.

D. The Consumer Perspective

VLV represents the interests of listeners as citizens and consumers so we have a number of issues we wish to bring to the attention of the committee with regard to the proposal to switch from analogue to digital broadcasting in 2015.

1. The two criteria that will trigger the date of switchover

In the government plans there are two criteria that must be met before radio DSO can begin:

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

It is expected that these criteria will be met in less than four years ie at the end of 2013 and therefore the switch-off of analogue will happen two years later.

We do not accept the first criterion. We are aware that it is the government case that when there are 50% listening to DAB there will be many more DAB enabled homes. A DAB enabled home would include mobile telephones, computers and digital TV. There are currently 33% DAB enabled households but only 13.3% listen on DAB radios and around 8% on other devices. The Rajar figures for the third quarter of 2009 indicate 66% continue to use analogue radios. We consider that there should be in excess of 80% of the population listening regularly to DAB broadcasts ie listeners not households before switchover can begin, a similar number to those that had made the move to digital at the start of TV switchover.

We consider that the second criterion is very optimistic as outlined above under "coverage" at B 1 above. It is also two years earlier than the 2017 date suggested by the Digital Radio Working Group which VLV considered optimistic.

2. *The two year period planned for digital switchover of radio transmissions is inadequate as switching will be very different from the experience of television*

A switchover to digital transmission for radio will be a totally different consumer experience from the TV DSO as it is possible that most consumers will need to purchase new equipment rather than a set top box. There are many more radios in use than televisions so it will be a more expensive task replacing like with like. The controls and displays will be different. Tuning may be different. If the government insists on a two year period between DSO criteria being met and switch off then consumers will have little time to make the change and adapt. The two years allowed for a move of many citizens least aware of new technologies to new radios is harsh and unrealistic. TV digital switchover usually just required the purchase of a set top box for each set.

Radio digital switchover will require a completely new radio receiving system for each set in the home. Many older listeners, for whom their existing analogue radios are a vital link with the outside world, will look on this proposal with alarm. We consider that the speed of the change will alienate many people and at least five years should be allowed for the switch once appropriate criteria have been met. This is about the time allowed for the TV switch.

3. *The cost and scale of the switch to digital radio for consumers*

We are very concerned that the scale of the change in the average household has not been fully recognised. The final *Digital Britain Report* makes great play of the £20 DAB radio. This fails to recognise the scale of the entire problem of the current ownership and use patterns of radios. UK citizens own a range of equipment. In a typical household there is likely to be a device for receiving radio in many of the rooms. The majority will be radio sets; there will be receivers in other domestic devices such as radio alarms and CD players. Some will be components in a hi-fi system. Some could be suitable for swapping with a cheap DAB radio. However if current receivers are replaced with cheap digital sets we are asking the citizens of this country not only to go out and buy new equipment but also to possess an inferior receiver. In many cases they would have abandoned a good analogue radio. They will have to stop using cherished equipment that is still serviceable. At least one "top of the range" manufacturer produces VHF radios and provides a DAB rebroadcaster; this technology may help the switch but will only be suitable in a minority of situations.

4. *The functionality of digital radio sets*

We welcome the RNIB commissioned research into the equipment needs of blind and others for accessible and usable digital radios. We support the conclusion that manufacturers have not sufficiently considered the needs of disabled and older people. There is anecdotal evidence that many consumers find many digital radio sets have poor functionality. A radio set that severely challenges a consumer with sight or dexterity problems will also annoy all other consumers for the life of the set. The final *Digital Britain Report* states DAB receivers must also be attractive and affordable. We consider they must also be usable and the technology future-proof. There must be some equipment available that is usable and accessible by all, what ever their disability.

Digital Radios can have many more functions than an analogue radio. One of the advantages of digital transmission is that much more information can be provided on display screens: this includes electronic programme guides and background material on the broadcast such as match scores. This can extend to audio description for the blind and partially sighted. It is also possible to record or stop a programme and return to it without loss of content. However all these additional functions make the operation of the digital sets very different from analogue. There is evidence from TV DSO that many consumers want new equipment to be as simple and as similar to the existing experience as possible.

5. *The Digital Radio Divide*

The above paragraphs indicate that there is a significant radio digital divide. There is little research into why the use of DAB radios is still low and why take up is slow in some demographic and age groups. VLV considers that before any plans for radio DSO are finalised the government must investigate the "digital divide" in radio listening.

6. *Sound quality of digital radio broadcasts*

We are concerned that in order to fit more stations on to a digital multiplex the low bit rates and signal compression used for each radio station are inadequate for reasonably high quality sound. Some points:

- The 192 kbs used for Radio 3 is just about adequate but deteriorates when radio 5 Live Extra is broadcast and the kbs drop to 160.
- Many visually impaired people, including some of our members, notice that the sound quality deteriorates when the bit rate is reduced on DAB broadcasts. If a major reduction takes place many listeners notice a difference.
- Professional musicians and many amateurs notice deterioration in the quality of sound across different radio stations with different bit rates and compression.
- When specialist magazines test even relatively inexpensive radio tuners they regularly comment that the full potential of the technology can only be assessed by tuning to BBC Radio 3, and that even this station is not always satisfactory. Generally the DAB sound quality is found to be unsatisfactory in the UK.

There is a significant minority of consumers who are aware they have been deprived of good sound quality in broadcasts. The rest of the listeners who have less acute ears are also being deprived of good quality sound and might notice the difference if given a demonstration in proper listening conditions. There remains the possibility of a tangible loss in public value if commitments to high-quality sound are weakened.

7. *Radio in road vehicles*

There are 30 million cars on the road and very few have DAB radios fitted in either new or existing vehicles. Around 20% of radio listening is in cars. This issue is well aired in the final *Digital Britain Report.* If all vehicles that are sold by the end of 2013 are fitted with DAB enabled radio that will not resolve the problem of radio reception in those remaining. There needs to be very good evidence that there are viable technical solutions in place for these vehicle owners before a switchover date is announced. This is in addition to the problem of DAB reception referred to above.

8. *The use of radios during national and local disasters*

We understand that long wave is the frequency that would be used in a national emergency. Long wave is only used by the BBC. At present it ensures that BBC Radio 4 can be received across the entire UK and the near continent. At present there do not appear to be any plans in place for the long term future of this spectrum. The recent flooding in Cumbria demonstrated the value of local radio as the BBC station could be received over much of the area and remained "live on air" for the entire first weekend of the disaster. VLV hopes that there will not be a major national disaster but notes that local disasters are becoming a frequent occurrence. VLV is not convinced that DAB will be able to provide either the national coverage of LW or the local coverage of VHF for many years should disasters occur.

9. *Regions and Nations*

There are vibrant and distinctive radio services in Wales, Scotland and Northern Ireland, with a good spread of local stations in the English regions. There are Welsh and Gaelic services in Wales and Scotland respectively. VLV shares the concern in the Nations and rural areas of England that they will swap a system that ensures almost universal coverage with VHF analogue broadcasts for a digital system that currently has very poor coverage. We also consider that DAB coverage for the national stations in the nations of the UK should be comparable with the current 98% VHF coverage.

10. *Community Radio*

We support the concept of community radio and are pleased that there are 150 stations broadcasting. We consider that radio is an ideal medium for communications within community, faith or cultural groups. It is relatively simple to use and economical to produce and receive. The analogue radio receiver is a well established technology that nearly all the population can use. However we do not consider that the VHF spectrum should be allocated to community radio immediately at radio DSO. This is a valuable national resource that might in the long term be best used for community purposes. However at present it is the platform that ensures the UK nations and regions are able to receive the UK-wide and national radio programmes. Until coverage by digital is proved to be as good as VHF the need for a platform for community radio must take second place to the needs of the wider UK audience for a reliable and robust radio technology. If the government insists that radio DSO should be undertaken in a very short time scale then there should be a period of parallel transmission on VHF and analogue until the coverage and take up has been fully tested. See our comparison with the adoption of VHF at coverage B 1 above.

11. *The need to adopt some of the successful elements of the arrangements used in Television Digital Switchover for any radio switchover plans*

We hope that the government will adopt a longer time scale for any switch to digital radio broadcasting so that the needs of consumers are met. However we accept that at some time in the future analogue may be switched off. We therefore urge that some successful elements of the television switchover process are adopted. These include:

— An independent body similar to Digital UK is established with the same arrangements for consumer input.

— The establishment of a help scheme for the vulnerable is established.

— A "digital tick" scheme on equipment is introduced so that consumers can quickly check which facilities are included. A scheme should be introduced as soon as possible whatever time scale is adopted for radio DSO.

Memorandum by Which?

1. About Which?

Which? is an independent, not-for-profit consumer organisation with around 700,000 members and is the largest consumer organisation in Europe. Which? is independent of government and industry, and is funded through the sale of Which? consumer magazines, books and other subscription services.

2. House of Lords Enquiry into Digital Switchover of TV and Radio

We are pleased to submit written evidence about digital radio at the Committee's request.

Through our magazines and online, we provide information and advice to consumers about digital radio. This information is publicly available at http://www.which.co.uk/advice/tv-music-and-radio/index.jsp and additional more detailed information is available to our Members (subscribers). We have also covered the possible switchover in our Consumer News in December 2008: http://www.which.co.uk/news/2008/12/dab-radio-switch-could-be-as-soon-as-2017-165126

3. DAB and DAB+

We understand that some, but not at all, DAB radios could be upgraded to work with DAB+. But we are concerned that some cheaper DAB radios may not be upgradeable and may become obsolete. We would therefore welcome an industry standard label indicating if a DAB radio is upgradeable to work with other digital radio formats. Though the Government and OFCOM do not currently have plans to upgrade from DAB to DAB+, we expect this may happen at some point in the future. If consumers upgrade from analogue radios to a digital radio, and then find they have to upgrade again this will be disruptive, costly and wasteful (from an environmental perspective).

We believe that technically there is little impediment to DAB radios using a decoder chip that will work with both DAB, DAB+ and some other digital formats. Further information about the technical possibilities is available from Frontier Silicon. http://www.frontier-silicon.com/

4. Digital Radio Switchover

4.1 *In-car radios*

Our main concern about digital radio switchover relates to the use of in-car radios. We'd like to see good quality retrofit options for in-car radio. Currently our understanding is that getting a full scale DAB radio installed in your car post-production can be prohibitively expensive, though we have not yet fully researched this.

We have tested the Pure Highway radio for use in-car (see Appendix 1) which retails from around £64. We thought that, although it's reasonable, it doesn't work as well as we would like in cars with small window screens. We are unsure if the digital switchover would mean that this system wouldn't work at all because it transmits to the in-car system using FM.

From a reception point of view it's certainly the case that in-car DAB suffers from patchy reception at the moment—particularly when you're travelling along motorways and switching from one transmitter to another. We expect that additional transmitters would help solve this problem and the guidelines previously released suggest that if coverage on major roads wasn't adequate then a radio digital switchover wouldn't happen. We agree with this approach; it's vital that coverage is improved on major roads.

4.2 *Other DAB reception problems*

There are also problems with reception in some areas of the country due to the topography—for example in Wales. This can be of course also a problem for FM. We have also had consumer queries from people living in parts of East Anglia, including the city of Ipswich, who are unable to get major BBC stations on their DAB radio. As with in-car radio DAB reception, coverage does need to improve before a switchover can take place without adversely affecting consumers.

It is however worth noting that consumers who can't receive an adequate digital radio signal are likely to be able to listen to radio at home via their digital TV receiver (though this might be an inconvenient option for many consumers who may not have a TV in the same locations in their house as their radios).

4.3 *Increased choice on DAB?*

In the past there's been a lot of discussion about the increased choice of radio stations on DAB. We consider this to be potentially misleading. Set-up costs for DAB radio transmission are high so opportunities for small scale local broadcasters (such as community or student broadcasters) might be reduced. And in the last year or so several commercial broadcasters have closed DAB stations due to drops in advertising revenue.

We therefore do not think increased choice alone is a reason for digital switchover. Rather the success of DAB in the UK is probably mostly due to the BBC's support for the format. Anecdotal evidence is that good BBC Radio 5 Live reception and other services such as BBC Radio 5 Live Extra is a key reason why people switch to DAB. So in this sense increased station choice compared to FM is important.

5. Internet Radios

We have reviewed 5 internet radios (for home use) of which three are Which? Best Buys. The review of the Pure Avanti Flow, which retails around £220, is attached at Appendix 2.

Internet radios are currently an option for home use but are not yet designed for in-car use. In-car use of an internet radio will only work once wireless reception is good enough to ensure a constant signal.

Home use is of course dependent on a good wireless signal but consumers also need to be aware that significant home use of an internet radio may impact on their download usage allowance set by their Internet Service Provider (ISP), depending on what contract they have with their ISP.

APPENDIX 1

Which? review of Pure Highway DAB in-car radio

The Pure Highway is a DAB radio that has been designed for use within the car and can be mounted to the car's windscreen. It transmits an FM signal that can be picked up by your regular car radio, and then played through the car's stereo system. We didn't evaluate the sound quality, as it is largely dependent on the car stereo system.

We found that the windscreen mount is very secure, and sports a flexible stem that allows the direction that the radio faces to be easily adjusted. It can also be easily removed from this magnetic mount and used as a personal, pocket-sized radio—however headphones are not supplied. You'll need two AA type batteries to use when carrying it around, but when in the car it is powered by the cigarette lighter.

For cars with larger windscreens, the Pure Highway is good, but we can't recommend it for smaller cars with limited space or view. It also has some niggles with the lack of labelling of multi-functional controls. And while it can pause and rewind live radio, we advise that you don't attempt to operate any of these functions while driving, something that is also made clear in the manual.

It can be connected directly if your car stereo has an audio line-in socket, and this may provide better sound quality than the FM transmitter option. This device doesn't have an analogue tuner.

Pros: Provides DAB radio to your car, quick and easy to install

Cons: Not ideal for smaller vehicles

APPENDIX 2

Which? review of Pure Avanti Flow

The Best Buy Pure Avanti Flow boasts impressive sound quality and offers access to both internet radio stations and broadcast digital radio and FM. However, it's not the easiest radio to use.

It's a fairly large tabletop radio that weighs in at a hefty 4.2kg. Sonically it excels—our expert listeners were impressed by its sound quality on a wide range of different music types and also with spoken voice, rating it as one of the best digital radios they'd heard. Sound quality is helped by a large speaker mounted in the bottom of the radio, which gives it a good bass sound.

It's a versatile radio with both DAB and FM tuners as well as Wi-Fi access to more than 10,000 internet radio stations plus podcasts and "listen-again" programmes. You can also access Pure Sounds—a selection of more than 83 ambient effects and natural noises such as a babbling brook or a buzzing bee.

It has 40 presets to store your favourite DAB and FM stations and its iPod dock lets you easily hook up your player and listen to your MP3 downloads through the radio's speakers. It will charge your iPod, too. There's also a stereo headphone socket and a line-output for connecting to your hi-fi system if you wish. The aerial is telescopic.

On the downside, we didn't find it particularly easy to use, mainly because of difficulties in finding and navigating round the internet stations. The remote control buttons and menu structures are confusing and not intuitive—you'll need to learn you way around this radio before you feel comfortable with it.

Pros: Excellent sound quality, very versatile, internet radio access, iPod dock

Cons: Not particularly easy to use

Memorandum by Wireless for the Blind Fund

British Wireless for the Blind Fund is the leading organisation in the United Kingdom providing a help service through the provision of radio equipment on free permanent loan to registered blind and partially sighted people. We specialise in equipment to visually impaired people over the age of eight, resident in the United Kingdom and in need ie Means tested benefit. We also sell our sets to those who don't meet our criteria. The equipment, given on free permanent loan, is provided with training and additional support until such time as our recipient can independently use the set. On average, this can entail up to a further three visits at no cost to the recipient. Should any further support be required at a later date this again is provided free of charge. Should the equipment fail it is repaired/replaced as required, and again all of these services are provided free of charge.

When considering the digital switchover, note should be taken that many registered blind and partially sighted people will require adapted sets, which cost more than sets available in high street outlets. This will give the individual or BWBF an additional financial burden depending whether an individual purchases the set or BWBF does. It should also be remembered that blind people rely heavily on the radio for information, far more than for sighted people.

We believe that before migration begins there should be further research into the groups of people in greatest need of support ie blind or partially sighted, disabled, those people living in low income homes and also older people to whom the changeover will cause confusion and financial hardship and stress. For those people wishing to purchase there should be information and support available partly in the form of a kitemark, indicating recommendations for various groups.

To use DAB equipment is extremely difficult for those people who are visually impaired. To change station other than using a pre-set facility, a visual display is used. To utilise the set to its full extent and access all of the information provided this again this requires the use of a visual display. This is, at best difficult, and for most visually impaired people practically impossible, unless the equipment is designed with them in mind. In a recent Ricability study the BWBF "Duet" radio was the only set recommended for use by blind and partially sighted people.

The Government when providing any assistance should recognise and work alongside those charities already providing a help scheme to those in need whether blind, partially sighted, disabled or disadvantaged to ensure that they are not financially burdened either through the provision of equipment or thereafter with the support and training that is additionally required by vulnerable people.

The British Wireless for the Blind Fund and W4B—the TV and Radio Charity are the two leading providers of charitable support within the United Kingdom. Both charities have much experience and are working closely together to help vulnerable people access and radio and television more easily. The both expect a considerable upturn in the number of people requesting assistance not only with the provision of a set but also with the additional training that will be required to enable them to use it. They also expect a substantial upturn in the number of people who can afford to or are able to purchase requesting assistance in the choice of equipment. Neither organisation is currently in a position to deal with the increase in demand on their services in the magnitude that is expecting to be generated by the switchover.

The role of internet radio should also be taken into consideration. BWBF have found that since the provision of the internet audio service through their "Sonata" set, there has been an increase in the number of blind and partially sighted people wishing to utilise this service (which is available without requiring a computer) to access radio; particularly in areas where the reception of radio, either on DAB or FM is poor. A number of organisations are working with us to provide a variety of audio content including newspapers, magazines, books, podcasts and catalogues in addition to the thousands of radio stations available over the internet worldwide. We have found this accessibility has provided new listening opportunities, particularly for those people whose first language isn't English and also enabling communication from a number of geographical areas which is becoming increasingly important in the diverse society in which we now live.

29 January 2010

Supplementary memorandum by RadioCentre

Executive Summary

1. The digital upgrade process for radio will bring significant benefits for listeners, including greater choice; better sound quality; and improved functionality.

2. The package of measures in the Digital Economy Bill will also bring essential benefits to radio stations of all kinds, from large radio groups to small local stations. These changes are essential due to the economic pressures on Commercial Radio, which have occurred due to structural and cyclical changes.

3. The entire radio industry understands the need for a viable plan to move national and large local services to digital, while ensuring certainty and stability for those small local commercial and community stations that remain on FM.

4. Small local stations are under particular pressure at present, so it is especially important to ensure that small local radio stations are able to benefit from measures in the Bill, especially greater affordability of digital, along with better coverage and licensing certainty for those stations that remain on FM.

5. A number of misleading claims have been made about the implications of the Digital Economy Bill and digital switchover for radio. We recognise that significant challenges lie ahead, particularly on coverage, cars, consumer take-up and funding. However, 95% of the UK radio industry—BBC, Commercial and Community stations—are working together to address these issues on behalf of listeners. We believe that the Digital Economy Bill is a vital piece of legislation for the Commercial Radio sector.

Background

6. RadioCentre is the industry body for Commercial Radio, formed in July 2006 from the merger of the Radio Advertising Bureau (RAB) and the Commercial Radio Companies Association (CRCA). Despite recent changes in membership, all major commercial groups remain shareholders of RadioCentre; a full list of shareholders is included at Appendix 1.

7. RadioCentre members account for 90% of Commercial Radio listening and 86% of industry revenue. The membership of made up of 267 radio stations of all types—including the major Commercial Radio groups, small local radio groups, independent local stations and digital-only services. RadioCentre therefore represents the views and interests of a very broad range of radio stations small and large, and not just the interests of one or two of the largest radio groups. A full list of RadioCentre members is provided at the end of the document at Appendix 2.

8. The role of RadioCentre is to maintain and build a strong and successful Commercial Radio industry—in terms of both listening hours and revenues. RadioCentre operates in a number of areas including working with advertisers and their agencies, representing Commercial Radio companies to Government, Ofcom, copyright societies and other organisations concerned with radio.

9. Along with the BBC and Arqiva, RadioCentre is a founder member of the cross-industry body Digital Radio UK, representing more than 95% of the UK radio industry, which has come together in its support of digital radio upgrade and the measures outlined in the Digital Economy Bill.

The Benefits of Digital

10. The radio industry—BBC, Commercial and Community—is united in its conviction that the medium must have a digital broadcast platform as its primary delivery mechanism. This is vital if radio is to continue to thrive and be part of the digital media future. It is inconceivable that in a world of HD, 3D and IP television, of 3G smart phones, of MP3 players, Twitter, You Tube and countless music streaming services, that radio should still be dependent upon analogue transmission.

11. This need is exacerbated by the fact that the FM spectrum is full and has reached the limit of its capacity, which is limiting choice for listeners and opportunities for broadcasters. The radio landscape requires urgent restructuring that puts listeners at the heart of its offering.

12. The greatest benefits from the digital radio upgrade will be for the listening public. Even now, wherever you are in the UK, you can receive more stations on digital radio than on analogue. Services like BBC 7, Jazz FM, FiveLive Sports Extra, FunKids, NME Radio and Planet Rock are only available on digital and are just a glimpse of what will be available in the future.

13. Some commentators have argued that listeners are happy with the current choice and range of radio stations, and that digital is therefore not needed. Similar arguments were deployed by incumbent operators in television prior to the launch of additional terrestrial channels (Channel 4 and Five), as well as digital, satellite

and cable broadcasters. However, consumers now welcome the choice that is available on television and could not conceive of reverting to three channels. In this regard, we do not believe that radio will be any different.

14. In a digital age consumers expect to be able to access a wide breadth of content simply and on a range of platforms. For example, by 2012 digital television switchover will mean that UK households will have at least 50 channels through Freeview, or as many as 500 cable and satellite channels. In addition, the rapid emergence of new digital devices and content has revolutionised the consumption of music, television and film through portable devices such as iPods, with similar changes affecting the publishing world with the take up of the Kindle and soon the iPad. These devices provide consumers with an entire catalogue of content on a digital platform. By contrast UK radio listeners only have access to eight national analogue service (five BBC and three commercial), with no commercial pop music service on FM.

15. Digital radio also offers better sound quality. Independent surveys show 76% of listeners think the sound quality of digital radio is as good as or better than FM.[2] There is less interference, less crackle, and no need to retune when moving around the country. Sound quality in homes and cars will also improve in coming years as coverage improves, emphasising signal strength as well as geographical expansion.

16. Digital radio also offers more interactivity and functionality for consumers. Listeners already enjoy being able to tune into stations by name rather than frequency and the ability to pause, rewind and record. The future of digital radio includes the possibility of watching your favourite band whilst you listen to their music, or downloading a personalised travel report from your local station to your car radio, and these are just some of the possible innovations digital radio will offer.

17. As the industry body for Commercial Radio, we have a clear vision for how these benefits can be delivered. Our vision has localness at its heart, with three strong tiers of listener choice:

- Strong national brands to sit alongside the BBC on digital.
- Large local and regional services, on digital, to deliver news, information and entertainment to reflect the tastes of their area.
- Small local commercial stations and community services in smaller towns on either digital or FM, as they wish.

18. This will necessarily involve the co-existence of digital and FM, with numerous complementary platforms and emerging technologies also playing an important role. Because of the nature of digital broadcasting, in which a number of stations are broadcast on the same digital multiplex, not all stations will necessarily desire a purely digital future. The geographical area covered by a digital multiplex will necessarily be larger than the areas traditionally served by smaller FM stations. FM will therefore continue to have an important role for the foreseeable future, particularly for smaller and rural services, whereas digital works well nationally and for larger local and regional services.

The Economic Pressure on Commercial Radio

19. The benefits of digital radio and the exciting vision of the future can only be delivered by a combination of legislative and regulatory change, which will both lead to a more solid framework for existing services and also enable the industry to invest in new and exciting services.

20. This is especially crucial as Commercial Radio faces a difficult financial situation due to a combination of structural change in the industry, which has been compounded by the current advertising recession. Indeed Ofcom acknowledges that Commercial Radio is "facing possibly its greatest ever challenges".[3] Small local stations have been hardest hit by a combination of high fixed costs, structural change and recession.

21. Research conducted by RadioCentre for John Myers' independent report commissioned by Digital Britain found that this downturn in revenues has translated to an extremely serious position in terms of profitability. It found:

- Half of all Commercial Radio stations were loss making, with two thirds of all stations (66%) loss making or only generating profits of less than £100k per annum.[4]
- 12% of stations were predicting to lose more than £250,000 in their current financial year (of whom more than 80% also lost >£250,000 last year and of those almost 70% also lost >£250,000k in the previous financial year).[5]

[2] Oliver Rowe Research study commissioned by Digital Radio Development Bureau, 2009.
[3] Ofcom, *Radio: the implications of Digital Britain for localness regulation*, July 2009, p 2.
[4] Stations generating profits of less than £100,000 per annum are extremely vulnerable to relatively small downturns in revenue (less that £2k per week, equivalent to one major client).
[5] RadioCentre, Profitability and localness survey of local Commercial Radio, March 2009.

23. The most recent data suggests that total industry revenue for 2009 is expected to be in the region of £500 million. This is down 22% from the peak in 2004 calendar year (when revenues were £641 million).[6]

24. As well as suffering an acute cyclical downturn in advertising revenues resulting from the recession, the Commercial Radio industry also faces the multiple structural challenges arising from the growth of on-line advertising at the expense of traditional media; consistently high costs due to regulation; and the need to make many millions of pounds worth of investment in dual transmission costs (for both FM and digital), with little if any additional revenue generated as a result.

25. The relative growth of online advertising revenue is well documented. It was reported recently that the UK revenues of Google alone were £1.9 billion in 2009, ahead of the £1.87 billion forecast for ITV—and five times the entire Commercial Radio sector.[7] On-line is an unregulated sector against which we compete, which is one of the reasons we are calling for de-regulation in order to provide our industry with greater flexibility and freedom to restructure radio businesses so that they are fit for a digital age.

26. Most notably however, has been the growth in Commercial Radio's total transmission costs, which now stand at around £70 million a year (up from £50 million five years ago). This growth has been driven mainly by the increasing cost of broadcasting on two main delivery platforms—FM and DAB. Broadly speaking these costs break down as, around £40 million for analogue transmission (FM and AM), around £20 million for DAB transmission and around £10 million for other forms of transmission (DTT, satellite etc). To put these figures in context, the sectors increase in transmission costs as a result of dual transmission over the past five years amounts to 80% of the sector's estimated total profits. Indeed transmission costs alone have now begun to exceed annual industry profitability.

27. The status quo for all stations that pay for dual transmission is unsustainable. Therefore it is vital that Commercial Radio finds a way to migrate to digital and take our seat in the digital media world alongside television, music and on-line. The strategic imperative for stations with dual transmission costs to convert to digital is clear.

The Government's Plans for Radio Switchover

28. The consumer benefits of an upgrade to digital radio, along with the economic imperative as far as Commercial Radio is concerned, has galvanised industry support for the Government's plans for the future of radio as outlined in the Digital Britain report, which will be enabled through the clauses in the Digital Economy Bill.

29. The Committee will be familiar with the process that has been outlined by Government for moving national and large local services to digital, as long as certain criteria are met. These criteria are partly about improving provision and coverage, but critically they will also be led by the behaviour and demands of consumers. In particular the Government has said that no switchover date would be set until DAB coverage is equivalent to FM; local DAB coverage reaches 90% of the population; and the majority of listening is to digital services.

30. It was never the intention to set a firm date switchover date in the Digital Economy Bill. It is an enabling piece of legislation that provides the powers and means to upgrade services to digital only once the criteria have been met. This puts the listener at the heart of the decision on switching services to digital, with the criteria being assessed in 2013 leading to a possible migration of national and large local services by 2015 at the earliest. This is a sensible approach and in-line with digital television, in so far as it will be a seamless transition with the majority of people already listening on digital by the time any switchover happens.

31. Crucially the Bill allows coverage and listening criteria to be assessed at different points in different regions, depending on the progress that has been made in that area. This flexibility to enable a staggered upgrade is crucial (as it was for TV switchover), as it allows for regional differences in coverage and listening to be considered when setting switchover dates. To remove this, and replace it with a requirement for a single switchover date, would be damaging to both local stations ready to switchover (which would be held up) and those in areas of the country where build out may be slower.

Ensuring benefits for Radio Stations of all sizes

32. Moving to digital will mean a more competitive radio industry. Larger stations will be freed from the unsustainable financial burden of paying for both analogue and digital transmission; there will be more national commercial stations to compete with the BBC; and larger local stations will be able to compete more effectively with other media. A healthy radio sector of this kind is vital to the future of every station within it, no matter how small.

[6] Radio Advertising Bureau, February 2010.

[7] http://www.thisislondon.co.uk/standard-business/article-23798261-google-fails-to-meet-investors-high-demands.do

33. However it is important to emphasise that the Digital Economy Bill also delivers critical benefits for the smaller Commercial Radio stations, which are in most need of certainty and regulatory relief.

34. *This is an enabling Bill. It will allow the industry to make local digital radio "fit for purpose"*. The local DAB infrastructure, as it is currently planned and built out, is not yet appropriate for a full switchover from FM to digital. The industry must work with Ofcom to improve and extend the coverage of local digital radio multiplexes. The Digital Economy Bill will facilitate this and provide a future route to digital for those local stations which currently lack a digital pathway but want one. This re-plan will also help the industry to develop ways to make digital radio more affordable for smaller local radio stations; as the high current cost of access to digital multiplexes acts a disincentive to broadcasting on digital.

35. *Stations that remain on FM will have a more certain future*. The migration of larger stations to digital will free up FM spectrum for local Commercial Radio stations, plus Community Radio. This provides the opportunity of access to better signal strength and improved viability. In addition Ofcom will also be able to licence commercial stations for a period of 12 years, rather than just five years as at present. However, we would welcome the support of the Committee in seeking assurances from Ofcom that this will be the case.

36. *Listeners will enjoy equal access to radio stations, whether they are on FM or digital*. The overwhelming majority of today's digital radios also receive FM, and the newly agreed multi-standard WorldDMB digital radio receiver profile will require all new digital radios to receive FM. In addition, the industry has recently announced it will work with receiver manufacturers to develop an integrated station list that will enable listeners to tune seamlessly between FM and digital stations—thus ensuring that the means of transmission will not be a consideration for listeners.

37. *It will open up opportunities for delivering local content in different ways*. The Digital Economy Bill will facilitate regulatory changes (in Clause 34 of the Bill) which will help to transform the fragile economics of small commercial stations, through co-location and programme-sharing where appropriate, helping to ensure the ongoing provision of locally-focussed content. The smallest, most locally-focused stations will be among the greatest beneficiaries of this deregulation, as they are able to adapt to reflect the changing tastes and requirements of their audiences.

38. *It will enable Community Radio and local Commercial Radio to co-exist*. We welcome the fact that digital switchover will mean improved signal strength and viability for community stations, in addition to smaller commercial stations that remain on FM.

Concerns about the Bill

39. RadioCentre's member stations accept that this package of measures represents Commercial Radio's only chance for the foreseeable future to introduce powers that can implement these changes. This is true of stations and groups of all sizes—including larger groups like Bauer, Guardian Media Group, Global Radio and Absolute Radio; as well as smaller groups such as KMFM, Town and Country, CN Group, Lincs FM Group and Tindle Radio, in addition many small and independent stations.

40. However, two radio groups have resigned RadioCentre membership (although both remain RadioCentre shareholders) stating their opposition to the Bill. This appears to be due to issues regarding their specific business models. We do not agree on the threats to local radio that have been presented by opponents to the Bill. Indeed we are keen to ensure that local stations that remain on analogue post-switchover must not be disadvantaged and do not become less relevant to listeners or advertisers.

41. While the lack of certainty around the future of digital radio has meant that it experienced a difficult beginning in the UK, it should not be assumed that this is due to any underlying flaw in the business model, the technology or the potential of the consumer proposition.

42. Opponents of the Bill have made a number of claims of this nature. Short responses to several of these claims are provided below.

43. *The claim: The timetable for digital radio switchover is unachievable and switching off analogue radio will disenfranchise millions of listeners.*

The reality: The plan for digital radio switchover does not involve switching off analogue, and the Bill does not set any date for switchover. Small local services will remain on FM. The timetable is challenging but it is achievable, and, importantly, it is consumer-led so no one will be disenfranchised.

44. *The claim: The plan for smaller local radio stations to remain on FM will undermine their prominence and threaten their viability.*

The reality: The Digital Economy Bill will deliver critical benefits for smaller Commercial Radio stations. Stations remaining on analogue will not be disadvantaged, as they will have greater licensing certainty and the opportunity of access to better signal strength to improve viability. The radio industry has committed to working with set manufactures to develop an integrated FM and digital station guide. That will allow listeners to access stations via the station name, irrespective of the platform carrying the service.

45. *The claim: 120+ stations will be left without a digital future.*

The reality: The Digital Economy Bill will enable a digital future for all those stations that want one, by extending the coverage of digital radio multiplexes to match that of FM (a precondition for switchover), and helping the industry to develop ways to make digital radio more affordable. Digital may not be the best platform for stations wishing to serve small geographical areas. These stations will have the choice to move to digital, and expand their coverage area, or remain on FM.

46. *The claim: Consumers are happy with the current choice and diversity on radio.*

The reality: Once people have a digital radio, they value the extra choice and range of new services and stations that it brings.

According to the most recent audience data the weekly reach of digital radio stands at 33.4% or 17.13 million listeners. This is now around double the reach of BBC local and regional services which is around 17% or 8.86 million listeners.[8]

47. *The claim: There are at least 120 million analogue radios in the UK, and switchover will have a significant environmental impact.*

The reality: The actual numbers are much lower and no sets will be redundant. Ofcom research demonstrates that 20.2 million analogue sets are used everyday, with 45.9 million used at least once a week. The majority of these will be replaced before switchover, especially as the cost of a digital radio continues to fall. In any case no sets will become redundant as small commercial and community stations will continue to broadcast on FM. It will also be possible to convert existing analogue sets to digital, with an adaptor device (similar to a set top box for TV) will come onto the market soon that will cost around £50, a cost that is likely to reduce significantly over time.

48. *The claim: Without a plan to protect at-risk groups, analogue switch-off will leave some members of society without access to radio.*

The reality: The industry fully supports a Help Scheme to assist vulnerable groups to covert to digital radio if it is determined that one is needed.

49. *The claim: DAB+ should replace DAB.*

The reality: The benefits of DAB+ would be relatively marginal but would make the vast majority of the current 10 million digital sets in the UK obsolete (see below).

Challenges that the Industry must Address

50. We nevertheless agree that there are significant challenges facing the radio industry before the switchover process can proceed. Indeed the issues relating to coverage, cars, technical standards and funding are critical matters for consideration.

Coverage

51. Digital radio is well on the way to matching FM's 98% coverage. National commercial digital services currently reach 90% of the population, while BBC national digital radio stations reach 86%. The majority of the population can also receive local and regional stations on digital.

52. Nevertheless, we agree that no digital upgrade should be considered until digital coverage matches that of FM. In addition to maximising the geographical reach of digital signals (which has been a priority up until now), the industry will also need to focus on meeting improving signal strength leading to better reception in homes and cars.

[8] Rajar, Q4 2009.

Digital radio in cars

53. When talking to car manufacturers they are reassured to know that the digital sets sold in future will be able to receive DAB, DAB+, DMB-A and FM signals, thanks to the development of the WorldDMB receiver profile.

54. Car and set manufactures were part of the Digital Radio Working Group—and the trade body the Society of Motor Manufacturers and Traders (SMMT) will be part of the new cross-industry body Digital Radio UK. Digital offers a much improved in-car experience for drivers in terms of sound quality, station choice, ease of use and enhanced functionality (eg a digital radio chip in sat-nav systems could provide customised, in-depth information on the weather and traffic).

55. An increasing number of cars already have digital radio as standard—Ford now fits them as standard on all medium to top range vehicles and fifteen car manufacturers from Audi to VW fit DAB as either standard or an optional upgrade for as little as £55. In addition, small and effective conversion devices are already on the market, at a cost of around £60.

Technical standards

56. DAB+ is a recent development of the DAB Eureka 147 family of standards. However, this does not mean that DAB is outdated or unusable; Freeview does not use the most up-to-date version of digital TV technology, but it works well, is popular, and has delivered enormous benefits for consumers.

57. DAB is the most suitable digital radio platform at present. This endorsement for DAB was also made by the Digital Radio Working Group (on which car and set manufacturers, consumer groups, DCMS, BERR, Ofcom, community radio, and Arqiva all sat, in addition to radio broadcasters—including UTV Radio). This support for DAB was reiterated in the final Digital Britain report.

58. Shifting to DAB+ at this late stage in the UK's transition to digital would offer only relatively marginal benefits to radio listeners (with the possibility of more services on a multiplex and slight improvements in sound quality)—while generating huge wasted investment for those listeners who have already embraced digital radio, as the majority of the existing 10 million DAB sets in use would become obsolete.

59. However, we do not rule out a transition to DAB+ at some point in the future. New digital radios sold in the UK now have the ability to receive DAB+, so it could be introduced seamlessly alongside existing DAB services once digital is established and the new devices become more commonplace. This is possible as DAB+ uses exactly the same transmitters and broadcast technology.

Funding DAB rollout

60. The industry recognises that it has a responsibility to meet the a proportion of the cost of DAB coverage build-out, but that public investment will also be required to deliver this policy objective. Consequently a working principle has largely been agreed whereby Commercial Radio will build-out up to the point where it is commercially viable to do so. Investment from the BBC will then be expected to bridge the gap between commercial viability and universality in line with its Charter obligations.

61. We agree that there is a clear public policy benefit to enabling the build out of a digital infrastructure for UK radio listeners, so it is appropriate for this element to be funded centrally. This approach was outlined in the Digital Britain report, which stated that there would be an expectation on the BBC to contribute to a significant proportion of the costs of expanding digital radio coverage.[9]

62. Estimates of the capital cost of build out vary and depend on a number of variables. However, our estimates of the total cost are significantly less than the current or future cost of analogue transmission.

Conclusion

63. RadioCentre welcomes this inquiry and the helpful scrutiny that the Committee has been able to bring to this matter, which is of such importance to radio listeners in the UK. We hope that the process has been helpful in demonstrating the benefits of the package of measures that are included in the Digital Economy Bill. We also believe that it has illustrated that the industry is committed to moving forward to provide a better range of services for listeners in future across digital platforms, with DAB as the principal broadcast platform but with assurances over a future role for FM.

64. We do not underestimate the challenges that remain, but believe that the enabling measures that will flow from the Digital Economy Bill are essential for radio to strengthen its position at the heart of British daily life.

February 2010

[9] *Digital Britain* Final Report, p 97.

APPENDIX 1

CURRENT RADIOCENTRE SHAREHOLDERS

APPENDIX 2

LIST OF CURRENT RADIOCENTRE MEMBERS

3FM
Absolute 80's
Absolute Classic Rock
Absolute Radio
Andover Sound
Arrow FM
The Arrow
Ashbourne Radio
Atlantic FM
Banbury Sound
Bay Radio (Swansea)
The Bay
The Beach
Beacon Radio (Shropshire)
Beacon Radio (West Midlands)
107 The Bee
106.3 Bridge FM
Bright 106.4
BRMB
95.8 Capital FM
97.1 Radio Carmarthenshire
Central FM
CFM
Channel 103
Chelmsford Radio
Chill
Choice FM
City Talk
Citybeat
Classic FM
Clyde 1
Clyde 2
The Coast
Compass FM
Connect FM (Northants)
Connect FM (Peterborough)
Cool FM
Cuillin FM

Dabbl
Dearne FM
Dee 106.3
Delta Radio
Downtown Radio
Dream 100
FIRE Radio
Forth One
Forth 2
FUN Kids
Galaxy Birmingham
Galaxy Manchester
Galaxy North East
Galaxy Scotland
Galaxy South Coast
Galaxy Yorkshire
Gaydar Radio
Gold (Berkshire and North Hampshire)
Gold (Birmingham)
Gold (Bradford)
Gold (Bristol and Bath)
Gold (Cambridgeshire)
Gold (Central Lancashire)
Gold (Devon)
Gold (Dorset and Hampshire)
Gold (East Midlands)
Gold (Essex)
Gold (Gloucester)
Gold (Hampshire)
Gold (Herts, Beds & Bucks)
Gold (Humberside)
Gold (Kent)
Gold (London)
Gold (Manchester)
Gold (Merseyside)
Gold (Norfolk)
Gold (North Wales & Cheshire)
Gold(Northamptonshire)
Gold (Plymouth)
Gold (South Wales)
Gold (South Yorkshire)
Gold (Suffolk)
Gold (Surrey)
Gold (Sussex & Surrey)
Gold (Sussex)
Gold (Teeside)
Gold (Tyne & Wear)
Gold (Warwickshire)
Gold (West Yorkshire)
Gold (Wiltshire)
Gold (Wolverhampton & Shropshire)
Hallam FM
Heart 100.7 (West Midlands)
Heart 100-102 (South Hams)
Heart 102.3 (Dorset and New Forest)
Heart 102.4 & 103.5 (Sussex)
Heart 102.4 (Gloucestershire)
Heart 102.4 (Norfolk & North Suffolk)
Heart 102.6 (Oxfordshire)
Heart 102.6 (Somerset)
Heart 102.7 (Greater Peterborough)
Heart 102.9 & 97.0 (Berkshire & North Hampshire)
Heart 103 (Anglesey & Gwynedd)
Heart 103 (Bath)
Heart 103 (Cambridgeshire)
Heart 103.1 & 102.8 (Kent)
Heart 103.3 (Milton Keynes)
Heart 103.4 (Cheshire & North East Wales)
Heart 106 (East Midlands)
Heart 106.2 (London)
Heart 96.1 (Colchester)
Heart 96.2 & 97.3 (North Devon)
Heart 96.3 & 102.6 (Essex)
Heart 96.3 (Bristol)
Heart 96.3 (North Wales Coast)
Heart 96.4 (Torbay & South Devon)
Heart 96.6 (Northamptonshire)
Heart 96.7 & 97.5 (Hampshire & West Sussex)
Heart 96.9 (Bedfordshire)
Heart 97.0 & 103.0 (Exeter & East Devon)
Heart 97.0 & 96.6 (Plymouth)
Heart 97.1 & 96.4 (Suffolk)
Heart 97.1 (Wirral)
Heart 97.2 & 102.2 (Wiltshire)
Heart 97.6 (Beds, Bucks & Hertfordshire)
Heat Radio
Heartbeat FM
Herts Mercury 96.6
High Peak Radio
The Hits
104.9 Imagine FM
Island FM
Isle of Wight Radio
JACK fm Bristol
JACK fm Oxfordshire
Jazz FM
Juice 107.2
KCFM 99.8
Kerrang! 105.2
Kestrel FM
Key 103
Kingdom FM
Kiss 100
Kiss 101
Kiss 105-108
kmfm Ashford
kmfm Canterbury
kmfm Extra
kmfm Maidstone
kmfm Medway

kmfm Shepway & White Cliffs Country
kmfm Thanet
kmfm West Kent
Lakeland Radio
LBC 97.3
LBC News 1152
Leicester Sound
Lincs FM
Lochbroom FM
London Greek Radio
Magic 105.4
Magic 1152 (Manchester)
Magic 1152 (Tyne & Wear)
Magic 1161
Magic 1170
Magic 1548
Magic 828
Magic 999
Magic AM (South Yorkshire)
Mansfield 103.2
Manx Radio
Mercia
Mercury FM
Metro Radio
MFR
Midwest Radio (Ivel 105.6 & 106.6)
Midwest Radio (Vale 97.4 & 96.6)
Moray First Radio 1107 AM
Nation Radio
NECR
Nevis Radio
Newbury Sound
NME Radio
North Norfolk Radio
Northsound 1
Northsound 2
99.9 Radio Norwich
Oak FM (Hinckley)
Oak FM (Loughborough)
Oban FM
Original 106 Aberdeen
Oxford's FM107.9
102.5 Radio Pembrokeshire
Pennine FM
Planet Rock
Play Radio
Premier Christian Radio
Q Radio
The Quay
Radio Aire
Radio Borders
Radio Ceredigion
Radio City
Radio Maldwyn
RAM FM
Reading 107
Real Radio North East
Real Radio North West
Real Radio Scotland
Real Radio Wales
Real Radio Yorkshire
Red Dragon
Ridings FM
Rock FM
96.3 Rock Radio
106.1 Rock Radio
Rock Radio North East
Rother FM
Rugby FM
Rutland Radio
Sabras Radio
97.5 Scarlet FM
106.5 The Severn
SIBC
Silk FM
Smooth Radio 100.4 (North West)
Smooth Radio 102.2 (London)
Smooth Radio 105.2 (Glasgow & The West)
Smooth Radio 105.7 (West Midlands)
Smooth Radio 106.6 (East Midlands)
Smooth Radio 97.5 (North East)
Southend Radio
Sovereign Radio
Splash FM
Star 107.5
STAR Radio Bristol
107.7 STAR Radio North Somerset
Tay AM
Tay FM
107.4 Telford FM
Ten-17
TFM Radio
96.2 Touch FM
101-102 Touch FM
102 Touch FM
107.3 Touch FM
Town 102
Traffic Radio (London)
Traffic Radio (Midlands)
Traffic Radio (North West)
Traffic Radio (South & South East)
Traffic Radio (South West)
Traffic Radio (Yorkshire & North East)
Trax FM (Bassetlaw)
Trax FM (Doncaster)
Trent FM
Two Lochs Radio
Viking FM
Wave 102
Wave 105

Waves Radio
West FM
West Sound
West Sound 1035
107.2 The Wyre
Wyvern FM
Xfm London 104.9
Xfm Manchester 97.7
Yorkshire Radio

ISBN 978-0-10-845978-8

Printed in the United Kingdom by The Stationery Office Limited
3/2010 443827/1998 19585