

Digital Radio UK response to “Digital Communications Infrastructure Strategy”

1 October 2014

1. Summary

This response is relevant to the following questions:

Q38 Views are sought on whether there are any additional actions the Government should consider to ensure:

a) That the provision of all areas of the UK’s digital communications infrastructure remains competitive in order to ensure that the UK can take full advantage of growth opportunities in the Digital Age;

b) Aside from legislation and adapting the regulatory framework in the broad sense which other actions should the Government take to encourage investment in communications infrastructure?

Over 90% of the adult population listens to radio each week, consuming in excess of one billion listening hours. The total sector’s value is estimated at £1.2bn and it employs 17,000 people.

Digital is the future for radio and the UK is a global leader. To ensure further growth opportunities in digital radio it is essential that the current and planned investment in national and local DAB digital radio infrastructure continues and is completed as soon as possible. Government can take action as follows:

- Continuing to support digital radio and the achievement of the switchover criteria. Clarity about the Government’s policy position and timetable will ensure industry has the confidence to invest.
- Helping to ensure that the local DAB infrastructure plan is agreed and built-out as quickly as possible. Government has committed funding to this project and can directly influence the plan.
- Supporting other initiatives that will assist growth such as the roll-out of the consumer digital radio tick mark logo for products and services. The tick mark will provide consumer reassurance and introduce a minimum performance standard for digital radios.

2. Introduction and background

Digital Radio UK is owned by the BBC, Global Radio, Bauer Radio, Arqiva, Communicorp and RadioCentre, with representation from techUK (representing digital radio manufacturers and the tech sector) and The Society of Motor Manufacturers and Traders (The SMMT, representing vehicle manufacturers, retailers and installers). Our broadcaster members account for 96% of UK radio listening and over 45 million listeners each week. Members also share principal responsibility for UK radio transmission. We believe:

- **The future for radio is digital and this is beneficial for listeners for three main reasons:**
 - Extra choice – Throughout the UK there are at least twice as many stations available on digital radio as there are on analogue. In London there are 60 digital stations and only 21 on analogue.
 - Sound quality – Digital radio does not have the hiss and crackle of analogue radio and consumer research by Ofcom and broadcasters consistently shows that listeners value the sound quality of digital radio

- Ease of use – Stations on digital radio can be found by selecting the station name rather than finding the frequency on a dial. This is particularly valued by elderly and disabled listeners who find it easier to move between stations.
- **We have a firm foundation for a future transition to primarily digital transmission**
- **That dual transmission on analogue and digital is inefficient and wasteful**
 - Broadcasters need to eventually move to DAB as the primary method of delivering broadcast radio, thereby avoiding the cost of dual transmission.
 - Once this happens, the money spent on dual transmission could be invested back in to great content.
- **Digital radio increases competition:**
 - FM is now full which limits the ability for commercial radio to launch national services. DAB enables the launch of new stations, particularly by commercial radio, facilitating greater competition and bringing more choice for listeners.

In June 2010 Government launched the Digital Radio Action Plan (DRAP) with the purpose of informing the Government's plans for digital radio's future. The DRAP stated that the following switchover criteria would need to be met before a switchover timetable is confirmed:

- when 50% of listening is to digital
- when national DAB coverage is comparable to FM coverage, and local DAB coverage reaches 90% of the population¹ and all major roads

In December 2013, Ed Vaizey MP, The Minister of State for Culture and the Digital Economy, confirmed Government's commitment to a digital future for radio and the switchover criteria. The Minister also announced a package of measures designed to continue the momentum in the digital radio market and help meet the criteria. Those measures include:

- Government and broadcaster investment of up to £21 million to **expand local DAB coverage** towards commercial FM equivalence by the end 2016
- Ofcom to **licence a new national commercial multiplex**
- Government to provide funding to support the development of low power, **small-scale DAB transmission** for small stations
- The launch of a **digital radio certification mark for products and installers**

3. The UK radio sector

Over 90% of the adult population listens to radio each week, consuming in excess of one billion listening hours. The total sector's value is estimated at £1.2bn and it employs 17,000 people. This is unsurprising given radio's continued popularity. We agree with Minister Ed Vaizey's comment in The DRAP that "radio remains an important part of the UK's cultural, social and economic landscape".

In the face of fierce competition from other digital media, Radio has remained remarkably resilient. We agree with the assessment in the consultation paper that *"the huge installed base of traditional and DAB radios in the home (and car) providing a very personal listening experience, often accompanying other activities, the continued attraction of live radio and the much slower rate of replacement compared to phones and TVs, will mean any changes in the radio landscape will be in slower time"*

¹ At the time, commercial FM coverage was estimated to be 90% of the population

The majority of listening to digital radio (excluding un-allocated listening) takes place on DAB with 69% while Internet listening is 17.5% and listening through DTV is 14%. We believe that free-to-air broadcasting via DAB will remain important and continue to account for the majority of listening for the foreseeable future.

4. Digital radio – Driving future growth

There are a number of factors contributing to growth in the digital radio market which will ensure we meet the switchover criteria and cement the UK's position as the global leader in digital radio.

- The progress on building out DAB coverage is noted in the consultation and it is vital that this investment in digital radio infrastructure continues. In particular, finalising the local DAB coverage agreement and communicating a build-out timetable will help build confidence for both consumers and industry.
- The UK has the most well-developed digital radio market in the world. Digital listening share (hours) is now 36.8% and digital reach is 52%, or 27.7 million people. The proportion of analogue listening in the home is now below 50% at 46%, and shrinking fast. Digital-only stations such as BBC Radio 6 Music, BBC Radio 1Xtra and Absolute 80s are growing their listening faster than most other stations.
- Ofcom have started the process to licence the second national commercial multiplex which will add as many as 10-15 additional digital stations, further increasing the choice of stations on digital.
- The UK has the leading DAB network transmission provider in Arqiva. Radioplayer, the provider of UK radio stations online and a partnership between the BBC and commercial radio groups, is now licensing its innovative technology worldwide.
- The UK is also home to the leading global digital radio manufacturers and silicon providers such as Roberts Radio, Pure and Frontier Silicon. The UK domestic digital radio market is worth over £200M and currently accounts for about 50% of the global digital radio (DAB / DAB+) consumer sales by volume. UK technology solutions power 80% of all consumer DAB / DAB+ sets worldwide.
- Sales of stand-alone DAB sets are fairly consistent at just under 2 million p.a. (around a third of all radio set sales) and we have now sold almost 20 Million DAB sets in total. Against this background, analogue-only sales are falling sharply (-53% since 2010).
- DRUK has launched a consumer tick mark logo to provide reassurance to consumers about the products they are buying. Similar to the tick mark used in digital TV, it applies to digital radios (for the home and car) and in-vehicle digital radio installers. The tick mark indicates to consumers that the digital radio products and services that carry it are future-ready and provide a minimum standard of performance.
- In July 2014 55% of all new cars came with DAB as standard and DRUK believes this will be 60% by the end of 2014 and 90% by the end of 2016. This is by some way the highest proportion of new cars with DAB in any market in Europe. There is also an emerging market for aftermarket digital radio adapters and UK companies are leading the development of new, innovative products.