

Arqiva's Response to the DCMS National Commercial Digital Radio Multiplex Licences 2021 Consultation

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1. Summary

Arqiva welcomes the DCMS consultation on the future relicensing of the two national commercial DAB multiplex licences.

We are the multiplex licence holder for Digital One, a shareholder in Sound Digital Limited and the transmission provider for the national DAB networks. Arqiva believes that achieving long-term certainty now for national commercial radio stations and their listeners is critical to securing a sustainable future and longer-term growth for DAB.

We have a proven track record in providing fair access to national DAB capacity supported by continued investment in the platform whilst working closely with our customers to drive their future success. Therefore, we believe ***Option 2 renewing Digital One for a further 12 years and Sound Digital for a further 7 years to 2035 is the only option that should be pursued.*** This provides long-term certainty for audiences and all key stakeholders on the DAB platform.

We do however think that a 12-year renewal for Sound Digital should be considered because there is no clear advantage to ending both national DAB licences on the same date. This will also be the first renewal of the Sound Digital licence therefore renewing for a further 12 years would be consistent with the Digital One renewal period.

Evidence and analysis prepared for the DCMS Digital Radio & Audio Review, due to be published later this year, suggests that DAB will remain a key distribution platform for radio (listeners and other stakeholders) through to 2035 and beyond. Therefore, the future security and stability of the national commercial DAB licences is important for the following reasons:

- ***Increasing reliance of audiences on DAB over time***
Digital Audio Broadcasting (DAB) in the UK is a major success story driving over 40% of total radio listening in 2020 and will increasingly be relied upon as the industry transitions from analogue to digital over the next decade and beyond. Listener forecasts suggest that live radio will still account for 50% of audio listening by the mid-2030s, the majority delivered via DAB¹. DAB will be particularly important for older and financially marginalised listeners, available to people that either cannot receive or do not wish to utilise online audio services.
- ***New risks and opportunities driven by growth in online listening and connected devices***
Radio stations face a less certain future. They need to focus on the retention of their audiences in a hybrid digital world where increasing listener choice is available via competing connected audio and global streaming platforms such as YouTube, Spotify and Amazon Music. They have successfully innovated and adapted over time, however, as their distribution becomes more reliant on channels controlled by global gatekeepers, it is more important than ever before to protect the core DAB free-to-air platform. Stability for their core DAB audience will allow them to concentrate on ensuring their IP strategies are robust and successful. DAB provides radio station prominence and ease of access to the listeners, there are no apps or subscriptions required. This cannot be mirrored by any other competing non-broadcast audio platform.
- ***National radio station growth is dependent on the stability of the platform***
Launching a new national station and/or growing audience share is a challenge on any distribution platform. National stations are competing against each other more than ever on DAB as set sales have slowed and listening habits have changed. Assurance of continued carriage and a longer-term view of the platform strategy underpins development of their business plan. Success and security of the DAB platform safeguards their future.

¹ Mediatique Audio Forecast, 2020

Recognising these challenges, the government in their 2020 commercial analogue licence renewal consultation² stated *“The main disadvantage of relicensing - as set out by the vast majority of industry respondents - is the imposition of significant costs on the industry at what is a challenging time given the trifold challenge of the transition from analogue to digital, the growth in new forms of online audio content and the sector’s continuing dependence on advertising - which in turn is facing the challenges presented by the coronavirus pandemic.”* Looking forward, this statement is increasingly more relevant to both Analogue and Digital Radio.

The current working model for the management of national commercial DAB licences is effective, established and delivers for national radio stations and the wider radio industry.

Management by a neutral host has ensured that capacity can be accessed fairly, and our independent approach ensures no bias for or against any customer or service. Pricing has been managed equitably through the application of standard rate cards and access to capacity through open public requests for expressions of interest and subsequent competitive process, as and when appropriate. Arqiva has always sought to support its customers, has invested significantly in nationwide coverage improvement, and encouraged the launch of a diverse range of stations, thus driving listener choice on the platform.

We believe there is no other entity that has the ability to work with the radio industry so effectively and commit to DAB’s future. For listeners and the radio industry, it is important that DAB licensees have the financial strength and strategic long-term commitment to the platform.

Any change would destabilise the platform and potentially confuse listeners, undermining the investment in DAB’s success to date. Switching to an alternative licence operator would cause uncertainty for the existing national radio stations and the entire DAB ecosystem.

With reference to the questions posed regarding pricing we believe the market works effectively and provides a mechanism for fair entry to the platform. Arqiva proactively manages all capacity on Digital One and all third-party capacity³ on Sound Digital Limited.

Rate cards for the sale of capacity are in place supported by standard contracts. Digital One and Sound Digital are bound by the Fair, Reasonable and Non-discriminatory (FRND) clause in the licences which governs how capacity can be acquired by a radio station and the pricing policies that can be applied to such capacity. In practice, this ensures that all radio broadcasters are treated fairly, and pricing cannot be adjusted to favour one customer over another.

Over time the market has self-regulated the pricing of capacity through advert led processes⁴ on both multiplexes where rates for national services have been set by the willingness and ability to pay. In a market where demand sometimes exceeds supply, price is a fair way to choose between comparable bids. There is a risk that some forms of price control could have unintended consequences which would damage competition and effective market operation.

We therefore do not see a need to price regulate and we believe that the overall competitive dynamics between the seller and buyers, which includes some larger radio groups with significant purchasing power, works effectively. If pricing controls were to be considered, then it is vital that these allow for

² DCMS Consultation on the renewal of analogue commercial radio licences, 2020 -

<https://www.gov.uk/government/consultations/consultation-on-the-renewal-of-analogue-commercial-radio-licences>

³ As part of the shareholder agreement capacity is allocated to Bauer and Wireless services, all remaining capacity is available to other radio stations and is managed by Arqiva.

⁴ Process by which capacity is advertised for anyone to apply and applicants are encouraged to put forward a pricing proposal for the available capacity – this can be through an auction process if more than one party expresses an interest.

the evolution of the radio sector, for example charging for any new site rollout or coverage expansion and any form of analogue switch-off.

As highlighted above, free to air, free to use broadcast digital networks will be central to future radio station distribution strategies, provide potential leverage in conversations with gatekeepers on IP platforms and a route to connect with an audience which has strong, UK-centric regulation.

Hence, we fully support DCMS's view that having this conversation now will facilitate the delivery of any changes requiring legislative change prior to the current end date in 2023 and secure DAB's future.

Arqiva is committed to and excited about working with our customers to deliver the very best content to listeners across the UK, delivering a sustainable and vibrant future for the UK radio industry. Our actions to support the industry during the Covid-19 pandemic underline both our strategic commitment to the platform and radio broadcasting for the long-term, and have ensured there is the range and choice of stations available for listeners which could otherwise have been lost.

2. About Arqiva

Arqiva is at the heart of the broadcast and utilities sectors in the UK and beyond, providing critical communications infrastructure and media services. Arqiva is the only national provider of terrestrial television and radio broadcasting and provides a machine-to-machine connectivity network for smart metering within the utilities sector.

Arqiva's history can be traced back to 1922 when it broadcast the world's first national radio service. In 1936 it carried the BBC's first television broadcast. In 1978 it enabled Europe's first satellite TV test. By the 1990s Arqiva was working with the UK's mobile operators to bring mobile telecommunications to UK businesses and consumers. In this decade we also launched the UK's national DAB radio and Digital Terrestrial Television networks. Most recently, Arqiva has played a pioneering role in the roll-out of the national smart energy and water metering networks.

We are a shareholder and operator for both commercial national DAB radio multiplexes and transmission provider for the BBC national DAB radio multiplex. We also provide end-to-end transmission services for analogue and digital radio networks for customers including BBC, Global Radio, Bauer Media and Wireless as well as other independent radio groups.

Through our wholly owned subsidiaries, Now Digital Ltd and Now Digital (Southern) Ltd, and our joint ventures Now Digital (East Midlands) and South West Digital Radio, Arqiva operates 25 local DAB digital radio multiplexes. These multiplexes cover a number of regions of the UK, predominantly in the Midlands, South West and the south of England.

Arqiva was a founder member of Digital UK (DUK), Freeview, YouView and Digital Radio UK (DRUK). Freeview is the largest TV platform in the UK delivering over 100 TV and Radio channels to the UK public. Arqiva owns and operates the networks for all of the Freeview multiplex licence holders and is the licence holder for two of the national DTT multiplexes as well as the DVB-T2 multiplex Com 7. DRUK works to promote digital radio via liaison with the UK supply chain, business-to-business and consumer marketing. We are also a member of WorldDAB.

Our major customers include the BBC, Bauer Media, Global Radio, Wireless, ITV, Channel 4, Five, Sky, UKTV, Sony, AMC, Ideal World, QVC, RT, and Al Jazeera Networks.

Arqiva is owned by a consortium of infrastructure investors and has its headquarters in Hampshire, with major UK offices in London, Buckinghamshire and Yorkshire and operational centres in the West Midlands and Scotland.

3. Background

Arqiva has been at the very heart of DAB's success since its inception in 1995, leading investment in nationwide coverage improvement and enabling the launch of hundreds of radio stations, both at a national and local level.

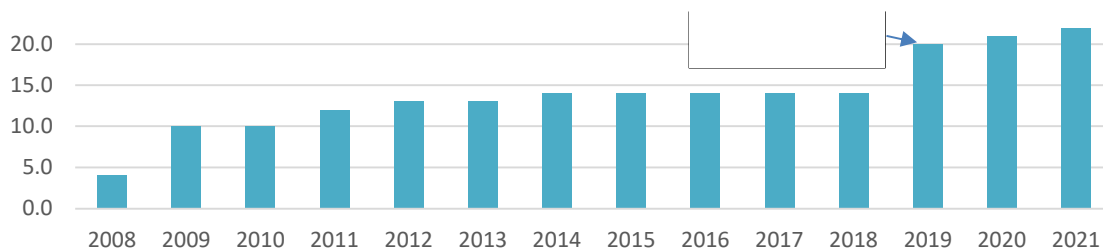
3.1. First national commercial multiplex - Digital One

Arqiva took full responsibility of the Digital One licence in 2009, 10 years after its launch. At that time UK digital radio was in turmoil. The 4Digital Group consortium had just handed back the second national licence, digital stations were being closed down and only four services were being broadcast on the only national commercial DAB platform Digital One. There was little demand for national DAB capacity in part affected by the 2008 recession, subsequent advertising downturn and the relative infancy of Digital Radio listening in the UK.

Committed to the future of Digital Radio and willing to financially back the *at-risk* DAB platform, Arqiva also took on the operation of 18 local DAB multiplex licences at what was a very unsettling and uncertain time for the Radio industry.

Digital One's primary focus under our control was bringing new services on-air to prevent the potential hand back of the licence and protecting the longer-term potential of the entire free-to-air broadcast DAB network. Digital One is now full and a net 18 new services have been launched on the multiplex. Arqiva has also invested in building out 20% more transmitters, expanding coverage to 92% of UK households.

Figure 1 – Total national commercial radio stations on Digital One over time



Over the lifetime of Digital One a mix of operators and a balanced selection of genres has been sought to ensure the platform can deliver for a wide range of audiences and fulfil the requirements of the licence. Bauer, Global and Wireless stations presently occupy c.92% of the capacity as it stands today, however this is a relatively recent change due to M&A activity supported by the DCMS and Ofcom through the deregulation of radio.

In January 2009, when there were just four national stations remaining on the multiplex, Digital One advertised for new customers in the Guardian newspaper and reset pricing, lowering the rate card. The initial customers included BFBS, Amazing Radio, Premier Christian Radio, Panjab Radio, UCB and NME Radio. There was a degree of churn, however many thrived, and conversations commenced with the more established radio groups.

In 2010 and 2011 two of the smaller groups; Times of India, which owned the Absolute brand and GMG Radio's Smooth, both launched the first decades sister stations (i.e. 70s, 80s and 90s sister brands). It wasn't until June 2012 that Global acquired its first additional Digital One capacity over and above the capacity for its INR licensee Classic FM. Over time, by acquiring GMG Radio, Global became the owner of the capacity used for Smooth Radio and Smooth 70s. Bauer contracted its first

capacity on Digital One in December 2012 and in 2013 acquired significant additional capacity via the purchase of Planet Rock and the radio assets of Times of India. Throughout this period unused capacity on Digital One stood as an advert that the multiplex was ready to enter contract negotiations with any radio group, station owner or entrepreneur.

In February 2016 at the launch of Sound Digital a few of the stations moved across, prompted by Sound Digital shareholder channel strategy or better suitability of that platform for that particular radio station. This released capacity for new stations to launch.

More recently GB News Limited was awarded capacity on Digital One following a competitive process. This took into consideration the F&EC obligations and the requirement under the licence to extend the range of interests to which the multiplex appeals. GB News will increase the range of speech stations on Digital One, adding to plurality of ownership.

3.2 Second national commercial multiplex - Sound Digital Limited (SDL)

Arqiva holds a 40% shareholding in the second national multiplex licence. Bauer, Wireless and Arqiva secured the licence as part of the Sound Digital consortium in 2015. One other bid was led by another radio group, Orion Media Holdings in a JV with the transmission provider Babcock Communications Limited.

In its bid the partners in the Sound Digital JV made a legally binding commitment to stand behind the company for its full 12-year licence term. This was important to provide Ofcom with confidence of success given that the licence had been awarded and handed back in 2008 following the failed delivery of a viable service by 4Digital Ltd (led by Channel 4 but with Emap Radio, UTV, UCB Media Group and SMG involvement).

This again re-enforces the security offered by financially sound organisations with proven industry commitment who can ensure the longevity of the platform.

Since its launch in 2016 Sound Digital has increased the number of stations available from 10 to 22 and invested further in coverage enhancements to reach 83% of UK households from its initial launch plan of 75%.

3.3 An Independent approach

Arqiva operates independently and has no affiliation with or bias towards any content provider or radio broadcaster.

Arqiva has always believed that its position as a company which does not run radio stations makes it much more straightforward to deal with and assures our customers and potential customers that we will follow our published F&EC⁵ policies and we can ensure that a customer is not in a more or less favoured position.

The OFT's decision in 2009 to approve the acquisition of Digital One and Now Digital multiplexes by Arqiva reflected on conclusions made in the Myers report⁶. This report concluded that it would be beneficial for all local multiplexes to be owned by a single entity which is not a content provider. This highlighted the possible vertical competition issues that could be caused when a radio broadcaster who is also a multiplex owner may have an incentive to prefer its own broadcasting activities. This is as relevant to national DAB multiplex licences.

⁵ https://www.arqiva.com/media/radio/Contracting_Multiplex_Capacity_updated-Feb2021.pdf

⁶ An Independent Review of the Rules Governing Local Content on Commercial Radio, John Myers

Reflecting on this, in the case of Sound Digital it was agreed that Arqiva should be responsible for engaging with 3rd party content providers to create separation from the radio station owners Bauer and Wireless.

The range of national stations which have launched on the capacity Arqiva is responsible for, on both Digital One and Sound Digital, provides evidence that we have enabled a range of companies and charities to launch services. On local and national multiplexes our customers have included large and small radio groups, new business start-ups, charities, community stations and stations that raise funds via on-air appeals. We have also trialled and/or launched innovative content to extend the range of stations available to UK audiences: Sunrise Radio, Panjab Radio, Fun Kids, Amazing Radio, BFBS Radio, NME Radio, MKFM, Black Cat Radio, Angel Radio and Boat Radio.

3.4 Managing a sustainable business for national radio stations

Following acquisition of the Digital One multiplex, Arqiva implemented a lower rate card to drive interest and take-up of capacity on the platform. Since then the rate card price has only been adjusted to reflect new site roll-out delivering enhanced audiences for the radio stations and RPI. The baseline capacity prices have not been reset.

Over time Arqiva has supported technology advancement on the Digital One platform which has led to a significantly reduced cost of carriage for national stations, allowing more stations to be launched within their contracted capacity via a DAB+ channel. We have co-operated with our customers to yield this efficiency and have not restricted the use of the contracted capacity to just one service.

Where it was permitted under the FRND policy, negotiated rate card fees, advert led expressions of interest and/or auctions have all shaped national DAB pricing for the benefit of the radio stations on both multiplexes over their licence terms to date.

3.5 Supporting the Radio Industry for the long-term

Arqiva has a strong track record of its commitment and investment in the Radio industry. Working closely with our customers to ensure that we can support them, particularly when they need us the most. The sector is a key component of our future customer base and being a good corporate citizen benefits Arqiva, the radio sector, listeners and UK plc.

In 2009 Arqiva stepped in to take ownership of Digital One and the majority of Global's local multiplex assets at a time when DAB's viability in the UK was being questioned. In 2013 we supported the roll-out of local DAB coverage and part funded the delivery of 139 new transmitters, (63% of the total roll-out), through Now Digital as part of the Digital Radio Action Plan⁷. Following this in 2015, as part of the Sound Digital JV, we invested in the roll-out of the second national DAB multiplex.

More recently the public policy benefits of a strong stable company with a long-term view and commitment to radio broadcasting was demonstrated. We chose to financially support our customers throughout the Covid-19 pandemic, recognising the significant challenge they were facing from the advertising downturn. We worked closely with DCMS to develop a plan as it was a real concern that some stations could fail. This support ensured the survival of some of the smaller radio stations.

⁷ Digital Radio Action Plan 2010, provide a clear framework to encourage the industry to work together towards securing a robust and viable digital future

As a regulated transmission provider for both Analogue and Digital radio, Arqiva is firmly focused on the long-term plan for the industry. Our transmission business is driven by the needs of the broadcasters we serve, and on their behalf, we have to invest substantially over the lifetime of the network to deliver the 24/7 services listeners depend upon. Our shareholders support us to fund this investment and a longer-term view of the future helps plan and secure funding effectively.

3.6 Driving the future of DAB

Arqiva has worked closely with its customers to move towards the best possible solution for their business on the national DAB platform. Presently on Digital One there are 14 DAB+ stations and 11 on Sound Digital, 57% of the total commercial national DAB stations. The Sound Digital launch plan committed to include a DAB+ station at a time when no other DAB+ stations were on-air.

DAB+ enables more efficient use of multiplex capacity, thus driving a higher volume of stations and listener choice. However, broadcasters must be given the choice to move to DAB+ due to the potential loss of the listener base who access their station via incompatible devices. An exact number is not known however it is estimated that 70% of DAB sets in homes are not DAB+ enabled. Therefore, these listeners would lose access to a national radio station if it migrated to DAB+.

We are committed to continue to work with our customers to support DAB+ migration.

3.7 In summary

Arqiva cannot identify any party who could challenge Arqiva's track record or suitability to continue as a national licensee in Digital One and a shareholder in Sound Digital.

We have demonstrated our long-term commitment to the industry and continue to invest in the platform to bring new exciting content to the UK audience. We operate fairly and with a focus on securing radio's future in an ever-changing media ecosystem.

4. Answers to the Consultation questions

Question 1 – What is the likely impact on the commercial radio sector of maintaining the existing policy and allowing national DAB multiplex licences to be opened to competition? What are the benefits to current and future holders of national commercial radio station licences?

Arqiva does not believe that there is any benefit to the commercial radio sector or national commercial radio stations of opening up the national DAB multiplex licences to a competitive process. The current model delivers effectively for both the radio stations and their listeners.

Echoing the statement made in the DCMS 2020 Analogue Licence Renewal consultation that also applies to DAB, maintaining the existing policy would “*introduce another element of uncertainty for commercial radio to deal with at a time when the sector is struggling with the impact of Covid-19 and the challenges from the shift of listening to online connected audio devices*”.

This option would introduce the following adverse impacts on the commercial radio sector:

- **Risk of non-independent licence operator**

To date there has been no interest shown in operating a DAB licence from outside the radio industry. All bids received for the national commercial DAB licences included one or more radio groups. There is an inherent risk that any licence operated solely by a radio organisation will prioritise their services above others at the detriment of encouraging a diverse mix and wide range of potentially competing services on the platform. This raises questions related to vertical integration, its impact on the efficient workings of the radio market and the effectiveness of a multiplex operator in ensuring capacity is allocated fairly.

- **Risk to listeners**

The DCMS stated that “*Readvertising licences would mean that listeners risk losing access to familiar and well-loved stations.*” in their Further Renewal of Analogue Commercial Radio Licences Consultation Response⁸ and this also applies to the national DAB licences.

One of the biggest risks is to the national commercial radio station licence holders that do not hold ‘must carry’ status⁹. The first national multiplex is obliged to reserve space for the carriage of the three INRs; Classic FM, talkSPORT and Absolute Radio. If the licence were readvertised, (Option 1 in this consultation), then there is no certainty that the other stations currently on Digital One would remain on air. There are no such obligations placed on the second national licence and as such this potentially could result in all stations being switched off by a new licensee in 2028.

Significant disruption to existing channel line-up affects the listener experience and we believe signalling change at the current time to listeners in what is a transitional period for radio may risk confusion and migration of audiences to alternative digital options.

In a competitive situation a new potential licensee could propose an alternative transmitter network which could include fewer transmitters or different coverage. It is therefore possible that the winning bid would result in some listeners losing existing coverage of Classic FM, Absolute, talkSPORT and any other of the current stations which were part of the winning bid.

⁸ <https://www.gov.uk/government/consultations/consultation-on-the-renewal-of-analogue-commercial-radio-licences/outcome/further-renewal-of-analogue-commercial-radio-licences-consultation-response>

⁹ Must carry status is awarded to Classic FM, TalkSPORT and Absolute Radio. These are Analogue licensees and these services must have capacity reserved for them on the Digital One national commercial multiplex.

▪ ***Detrimental economic impact on radio companies***

In addition to the disruption to listeners of losing familiar, favourite stations, there is a risk of an economic impact for radio content companies. Uncertainty of the platform could detrimentally affect their medium to longer-term distribution strategy, putting the future business stability of some of these stations at risk if a new carriage agreement is not secured with a new national DAB licence holder.

For example, on Digital One, radio companies have invested in launching new brands even in the past year, and some have taken a commercial risk in converting stations to the more spectrum efficient DAB+ format. Therefore, in addition to the significant impact on listeners, there is a financial risk to the larger radio groups, charities, and entrepreneurial start-ups.

Question 2 - What would be the cost, burdens and other impacts for commercial radio in the event that Ofcom had to go through a full open competition for the licence currently held by Digital One Limited (by 2022) and the licence currently held by Sound Digital Limited (by 2027)? Please give your reasons and provide evidence.

Historically there has been limited interest in these licences with no viable applicant outside the radio industry. No structural or regulatory change has occurred which would encourage non-radio industry companies to bid.

Should the licences be advertised, then Digital One and Sound Digital would be free to bid. There is a possibility that Ofcom and other key stakeholders waste significant resources running a process which does not change anything.

Significant resource commitment and financial cost is associated with going through a full open competition. For example, during the bid process for Sound Digital the partners in the consortium commenced detailed discussion and planning for its bid in the spring of 2014 with work reaching a peak just before the closing date in January 2015. Activity continued during the period that Ofcom was considering the two bids and seeking answers to supplementary questions until award in March 2015, almost two years of preparation, stakeholder engagement and support by both Ofcom and the bidders.

There is also a transmission provider resource cost to provide reference offer pricing to the applicants which would include preparation of a network plan and associated pricing for Network Access and/or Managed Transmission Services¹⁰. This is a significant package of work requiring dedicated specialists across many functions of the business to support site surveys, design, costing and pricing work. Ofcom are likely to be required to support this work if changes to the existing network are requested.

As we have highlighted throughout this document there is a risk of creating unnecessary instability for the sector at an uncertain time for the radio industry. This will also put radio stations at risk of not continuing on the platform due to a change in policy introduced by the new licence operator reflecting the channels they wish to carry, or the economics no longer working for them as they could face higher prices under new ownership.

¹⁰ <https://www.argiva.com/media/radio/radio-transmission-services>

Question 3 - We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing (Option 2) a further 12-year renewal for the national radio multiplex licence currently held by Digital One Limited and a further 7-year renewal for the licence currently held by Sound Digital Limited, both to 2035. Please provide any supporting evidence.

Arqiva has acted as an independent neutral host for the Digital One multiplex for more than 10 years and for Sound Digital Limited for five years proving its effectiveness, commitment, and continued investment in both platforms.

This option will secure a long-term commitment from Arqiva to support national DAB, working closely with existing and potential new customers in the future to deliver the very best service to UK listeners.

The Digital Radio and Audio Review due to be published in Autumn 2021 will likely conclude that any form of analogue radio switch-off is very unlikely before the early 2030s. Therefore, renewing both multiplexes to 2035 provides long-term certainty for the national DAB platform and the commercial radio industry, enabling them to focus on navigating the market and listener changes they face during this period.

For Sound Digital Limited, this will be the first renewal of its licence and we would also ask DCMS to consider a 12-year renewal of the Sound Digital licence. There is no real need to align the end date of these licences, based on the expectation that DAB will be relied upon throughout the 2030s and beyond. Also, we would suggest that advertising both national commercial DAB multiplexes at the same time could cause significant uncertainty for both operators and listeners if it resulted in wholesale change to the offering.

As highlighted in section 3, Arqiva has invested in coverage improvements and delivered a diverse mix of stations, whilst managing both the Digital One and Sound Digital multiplexes.

In summary we believe this option is, on balance, clearly the best for the radio industry and UK radio listeners. This provides longer-term certainty to national radio stations and secures long-term commitment from incumbent providers who have a strong track record of managing both multiplexes with integrity, fairness and a deep understanding of how to support national radio services to achieve what they need to deliver their content to UK national audiences.

Question 4 - We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing a further 7-year renewal (Option 3) for the national multiplex licence currently held by Digital One Limited and a further 2-year renewal for the licence currently held by Sound Digital Limited, harmonising the expiry dates of both to December 2030 (in line with the end dates of local digital radio multiplexes). Please provide any supporting evidence.

For the reasons set out earlier in this document, Arqiva unequivocally supports the automatic renewal of both national commercial DAB licences. We do not however see any benefit of renewing all local and national Commercial DAB licences to the same date.

The regulator will be required to manage the renewal of 56 local DAB licences in December 2030, adding the two national commercial DAB licence renewals to this workload would generate a significant package of work. There are no economies of scale to be achieved.

All listening research suggests that radio services will be required and relied upon until 2035 and beyond. Therefore, there are no benefits of extending licences for a shorter period. This would also miss the opportunity to provide long-term certainty to all key industry stakeholders.

For Arqiva this would mean that the bidding activity to manage the renewal of 25 local and 2 national commercial DAB licences would drive significant administrative cost and resource. The need to hold commercial renegotiations with all radio stations at the same time would also require extensive time commitment from each stakeholder involved.

We would again highlight that potential wholesale change to the entire DAB platform at one time would cause listener concern and potentially drive them off the platform. Choosing to cause this much uncertainty and disruption to the DAB platform at a point where potential future analogue radio switch-off plans are also being discussed would undeniably send the wrong message to the listener about the future of broadcast radio.

Question 5 - Which of the 3 consultation options (set out above) is your preferred approach for the relicensing of the national radio multiplexes and why? Please state your reasons and provide any supporting evidence.

Our preferred option is ***Option 2: amend the Broadcasting Act 1996 to allow a 12-year renewal for the licence currently held by Digital One Limited and a shorter 7-year renewal for the licence currently held by Sound Digital Limited, to align both expiry dates to a common December 2035 date.*** We would however ask that DCMS consider a 12-year renewal for Sound Digital.

Evidence is provided in sections 1-3 supporting this option. We believe that:

- **Arqiva has an unsurpassed commitment** to DAB as a free to air, free to use platform underwritten by strong finances and a strategic commitment to the future of broadcast radio.
- **The option to advertise would result in disruption** and uncertainty for the radio sector at a time when the industry should be focussing its energies on two unavoidable challenges: rebuilding revenues post-Covid and the digital transition.
- **Arqiva brings its independence to both Digital One and Sound Digital** so that industry has confidence that capacity will be offered in accordance with FRND licence obligations and Arqiva's F&EC policies and without the vertical integration that comes with operating both multiplexes and radio stations. The incumbent licence holders are proven to offer consistent, fair and reasonable access to national capacity under their stewardship.

Question 6 - We would welcome any views on the future coverage requirements of the multiplexes. Please give your reasons and provide any evidence.

Future coverage improvement and investment in new sites should be subject to commercial discussions between the radio stations and the multiplex operators.

Question 7 - We would welcome views on whether there is a need for controls on future carriage fees charged by the national commercial DAB network operators on renewal or whether carriage fee increases should be determined by market forces (as now). Please give your reasons and provide any evidence.

Government recognises that additional regulation is not always the best route to secure the optimum outcomes for consumers or the economy. For the radio sector, DCMS and Ofcom have focussed on

reducing the regulatory burden. As a general principle, Government tends only to introduce new regulation when there is evidence of consumer harm.

In the market for national multiplex capacity there is evidence that the market is working well for consumers. In 2009, listeners could only access four stations on national commercial DAB, today there are 44.

There is also evidence that the market is working well for broadcaster stakeholders. In the past year contracts have been renewed for Arqiva capacity on Digital One and Sound Digital with some of our biggest customers and some of the smallest. New services have launched from JACK Media National Limited and Boom Radio Limited and a contract has been agreed with GB News Limited. Large radio groups, entrepreneurial start-ups and charities have all been able to agree suitable terms for carriage.

When appropriate, powerful regulatory levers are available to manage the sector. In 2008/09 Ofcom initiated a process with Digital One which required the licensee to provide detailed information about its costs and revenues, key contract terms and discussions with customers. That process led to a significant reduction in Digital One's fees and a simplification of its fee structure. This new approach was not initiated by a complaint but proactively by Ofcom because of its concerns that the market was not working effectively and that consumers were not benefiting from the range of services which could be provided in the allocated spectrum. In a similar way, customers could raise issues with the competition authorities or directly with Ofcom.

We believe that, absent of evidence of consumer harm or of stations being locked out of the market by current prices and contract terms, there is no case for the introduction of additional regulation. This is particularly true as any new regulation introduced as an outcome to the current consultation would only affect the two national DAB multiplexes and would not affect any of the local DAB multiplexes (e.g. the three multiplexes for Greater London) which operate in market conditions analogous to the national multiplexes.

Arqiva has operated multiplexes in a wide range of market conditions and recognises that the economics of the multiplex business can change quickly. In the autumn of 2006, Digital One had a fully occupied multiplex and in under three years only four radio stations remained.

The DCMS led Digital Radio and Audio Review has heard evidence about the rate of change in the radio sector for both listeners and industry stakeholders. Arqiva recognises the challenges of consumer and technological change on revenues for our broadcaster customers and the consequent challenges for multiplex operators. Even if some stakeholders believe that additional regulation on carriage fees might benefit them, Government will need to be confident that they would remain necessary in a range of market scenarios over the next ten to fifteen years.

In summary, there is a lack of evidence of consumer harm to justify additional regulation. The CMA and Ofcom already have broad powers and Ofcom has shown its ability to proactively intervene when it believes the situation justifies action. Even if Government were to believe some additional measure was necessary in the market conditions of 2021, it would also need to consider whether that might risk unintended consequences in the medium to long-term.

In the event of a new pricing mechanism being applied, it must not prevent the licence holder from recovering costs associated with a structural shift in the market or coverage enhancement.

- *Analogue Switch-off* - The multiplex operator would require the flexibility to review pricing in the event of a switch-off event. The transmission provider (Arqiva) operates transmission networks that rely on shared infrastructure and resources, passing on the economies of scale to the users of

those networks through reference offer pricing. If the number of services utilising these networks changes over time, transmission fees will be adjusted.

- *Coverage enhancement* - The multiplex licence operator must be allowed to charge the customer for coverage enhancements which target expansion of their accessible audience. Existing contracts do limit the total sites chargeable in any 12-month period to safeguard the radio station against unlimited expansion.

National Commercial Digital Radio Multiplex Licences

**A response to the DCMS consultation
by Bauer Media Group**



MEDIA GROUP

September 2021

Introduction

Bauer Media UK welcomes this opportunity to comment on the DCMS consultation on National Commercial Radio Multiplex Licences.

Bauer would welcome the extension of both national commercial DAB multiplexes to 2035. It is not clear what, if any, benefits would result from readvertisement, while the uncertainty and costs of readvertisement (both during any contract renegotiation and on an ongoing basis) are likely to be significant. The same arguments will apply to a readvertisement for licences from 2030 and so we would welcome extension of the multiplex licences for as long as possible.

Any coverage obligations imposed on any new multiplex licensee would in fact be obligations on radio station operators, as the costs of enhanced coverage would simply be passed on to them. We do not therefore support any imposed coverage obligations. Any coverage build-out should be left to the multiplex licensee in conjunction with its service operators.

About Bauer Media UK

Bauer Media UK is an entertainment network of high-quality, high-profile, multi-platform brands. The business became part of the Bauer Media Group, Europe's largest privately-owned media group, in 2008. Founded in Hamburg in 1875 and now in its fifth generation of family ownership, the Bauer Media Group operates in 20 countries including the UK, Ireland, Germany, Poland, Australia, New Zealand and the USA and has 11,000 employees worldwide.

In the UK we reach over 25 million consumers. Our radio portfolio includes national stations such as Kiss, Magic, Absolute Radio, Greatest Hits Radio, Planet Rock, Jazz FM and Scala Radio alongside our Hits Radio network of strong heritage local radio stations around the UK such as Clyde 1, Radio City, Lincs FM, Metro FM, Pirate FM and Hallam FM. We also operate magazine brands including heat, Grazia, Empire, MotorCycle News, TV Choice and Take a Break. Our scale, coupled with the breadth of our portfolio, gives us an advantage over pure play magazine or radio competitors.

In an era where audiences are ever harder to categorise, we build strong cultural connections, drawing people together with the things that they really care about. Our brands become the lens through which our audiences see the world.

They are attracted to our services not just by the range of music we play but by the strong line-up of presenter talent, both locally and nationally, and our commitment to local news and information. In an era of fake news and unverified stories on social media, listeners value and trust the news we provide, which is required to be accurate, balanced and truthful.

We have invested heavily in digital radio, operating 16 local multiplexes with a share in 11 more, and becoming a major shareholder in the second national multiplex, operating ten DAB radio services on the national multiplexes and several more national stations across the network of local multiplexes alongside our Hits Radio and Greatest Hits Radio networks each of which provides local news and information.

We also make an important contribution to the local and national economy, not only by providing employment but also by supporting local businesses with for example a "million pounds of work" working with local business and jobseekers to our work with independent producers and the broader creative industry. And we support the UK economy by paying our company and all relevant taxes here in the UK.

Our stations employ well over 1,100 people across the UK and we are committed to developing our talent through training and to reflecting the diversity of the UK, bringing new people into radio.

For the past seven years we have run the Bauer Academy, a government registered training provider with the Skills Funding Agency and is recognised as a Centre to deliver AIM Award qualifications, providing multimedia training at our sites across the UK. Our team of leading academics work alongside media professionals to design and deliver training programmes that make a remarkable difference to individuals, communities, and businesses.

As well as training we also seek to provide support to the communities we serve. Cash for Kids is Bauer Radio's network of local charities, which operates in all of our local areas around the UK. Our mission is to respond to the needs of children in our communities, and we aspire to enable all children to live life to the full and achieve their individual potential. In 2020 we raised over £16m despite the pandemic, helping over 365,000 underprivileged children.

We do all of this as a company which is a morally robust commercial enterprise, seeking to grow its business.

Response to consultation questions

Question 1 – What is the likely impact on the commercial radio sector of maintaining the existing policy and allowing national DAB multiplex licences to be opened to competition. What are the benefits to current and future holders of national commercial radio station licences?

and

Question 2 - What would be the cost, burdens and other impacts for commercial radio in the event that Ofcom had to go through a full open competition for the licence currently held by Digital One Limited (by 2022) and for the licence currently held by Sound Digital Limited (by 2027)? Please give your reasons and provide evidence.

Bauer agrees with the points made in the consultation as regards the disadvantages of maintaining the existing policy and licence readvertisement is likely to bring only increased costs and uncertainty with very little, if any benefit.

The pandemic, which is not yet over, has reduced commercial radio incomes. As the consultation notes "In view of the challenging near-term business environment, it is not at all clear that opening up the existing national radio multiplex licences to an open competition would be in the wider interest of the sector or consumers at this time, as it introduces another element of uncertainty for commercial radio to deal with at a time when the sector is struggling with the impact of COVID-19 and the challenges from the shift of listening to online connected audio devices".

Continued uncertainty in the market exacerbated by the lack of audience measurement since early 2020 mean that a competition for the first national commercial multiplex would be at best a distraction and at worse severely disruptive to both broadcasters and audiences.

It is not clear what the benefits of readvertisement are, either to commercial radio station providers or audiences

- a. A competition for the multiplex licence is unlikely to result in a lot of new players.

- Re-advertisement of the licence is not necessary to encourage innovation by station operators. The existing multiplex operators have seen significant changes over recent years, with new stations launched by the major players Global (e.g. Heart 80s, Smooth Country), Bauer (Scala Radio, Absolute 90s) and Wireless (Virgin, Times Radio)
 - Stations from new players, such as Boom Radio and Union Jack, have also been introduced by the existing multiplex operators. This has been enabled by any vacant slots being advertised openly by the multiplex operators, as required by the licence conditions. Competition for existing slots as they become vacant is a more effective way of ensuring a dynamic radio industry than the risk of a wholesale change of radio stations which could theoretically be provided by a new multiplex operator.
 - The existing operators have also adapted to changing technology by introducing more services in DAB+ while ensuring that the most popular services remain available in standard DAB so as not to disenfranchise listeners.
 - The prospect of wholesale change in station line-up from a new operator is in any event unlikely and the majority of the stations on any new licence are likely to be the same as currently provided. These stations have developed over a number of years and are well known and appreciated by audiences. So any new multiplex operator is likely to be keen to have many of those stations in its offering. This then begs the question as to what would be gained by readvertising the licence.
- b. For consumers there is already a wide range of national radio stations covering all major music and speech genres and so there is no obvious benefit to consumers of encouraging wholesale change. The genres currently offered by the existing stations are likely to be those with the biggest audiences, as this has been driven by viability. So even in an open competition for stations by any new applicant the resulting line-up of stations is likely to be very similar to that which exists today.
- c. A readvertisement of the multiplex licences is only likely to result in uncertainty and additional costs (both in terms of the effort involved in having to re-secure slots and in likely increased carriage charges – as existing terms would no longer apply and the multiplex operator is in a dominant position in any carriage negotiation as capacity is limited) for those broadcasters who have invested in developing new national stations.

It is also not clear that a competition for the licences would actually result in a change in licensee. Historically the incumbent has an advantage in any relicensing competition as they have a track record of operating the licence that they can point to in support of their application. In the case of the first national commercial multiplex, and to some extent the second, this argument is strengthened further by the fact that Arqiva is not only the licensee but also owns and operates the infrastructure.

The hurdles for any new multiplex applicant are extremely high, given the statutory criteria for awarding the licence:

- a. The extent of coverage
- Any new operator would be very likely to be reliant upon Arqiva's existing transmission networks, as any alternative network would be expensive to develop (costs that would be passed on to broadcasters) and disruptive for many listeners as coverage patterns would change. So the only way an applicant could differentiate itself is to promise to build out further coverage, regardless of the costs and benefits of this. Moreover, the costs of this would be passed on to stations, who would have no say in whether the cost of increased coverage was commercially viable.

- b. The timetable for building out coverage
As the existing network is already built and is owned and operated by the current licensee, this question is only relevant for a new entrant not using Arqiva's network. Anyone proposing a new network would face the costs of building it (which would be passed on to the stations being carried) and so is likely to be a more expensive option and carry with it a risk of non-delivery. No new entrant could therefore hope to better the incumbent on this criterion
- c. The ability to establish the proposed service and to maintain it throughout the licence period
The existing operators already have their services up and running and both national multiplexes are full, so there is no question that the incumbents would not be able to maintain the service throughout the licence period. Any new entrant would find it hard to beat the incumbents on this criterion.
- d. The capacity of the stations proposed to appeal to a variety of tastes and interests
As noted above there is already a wide range of national stations provided both by the major players Global, Bauer and Wireless and from newer players such as Boom Radio and Union Jack. These stations are well known and appreciated by audiences, so any new multiplex operator is likely to be keen to have many of those stations in its offering. Its offering is therefore likely to offer little, if anything, that is not already provided.
- e. Proposals for promoting DAB radio receivers
The DAB market is already well established and so the purpose of this criterion has already been largely met. Moreover, the promotion of DAB receivers is better achieved by radio stations who have direct access to listeners, or by a trade body whose members include those radio stations, rather than by a platform operator.
- f. Whether, in contracting or offering to contract with stations, the applicant has acted in a manner calculated to ensure fair and effective competition.
The existing players already have this condition in their licence and have never been found in breach of that condition, so it is hard to see what any new player would do differently.

Finally we would note that the consultation on the renewal of DTT multiplexes has recently completed and concluded that the licences should be renewed. It did not even consider the question of whether the licences should be re-advertised, even though they are covered by the same legislation as national DAB multiplexes.

Question 3 - We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing (Option 2) a further 12-year renewal for the national radio multiplex licence currently held by Digital One Limited and a further 7-year renewal for the licence currently held by Sound Digital Limited, both to 2035. Please provide any supporting evidence.

Question 4 - We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing a further 7-year renewal (Option 3) for the national multiplex licence currently held by Digital One Limited and a further 2-year renewal for the licence currently held by Sound Digital Limited, harmonising the expiry dates of both to December 2030 (in line with the end dates of local digital radio multiplexes). Please provide any supporting evidence.

and

Question 5 - Which of the 3 consultation options (set out above) is your preferred approach for the relicensing of the national radio multiplexes and why? Please state your reasons and provide any supporting evidence.

The disadvantages (and lack of advantages) of re-advertising the national commercial multiplex licences apply whenever the licence is re-advertised. We would therefore support renewal for the longest period possible to avoid costs and uncertainty for the industry. DAB is still forecast to be an important platform for the delivery of radio in 2035 and so it is unlikely that the spectrum can be relinquished before that date. We therefore support renewal of both the Digital One and SDL licences until 2035.

As DCMS has recognised both in this consultation and the DTT consultation, a common end date for licences is desirable as it allows for coordinated planning for industry, for consumers and for the managers of spectrum. So, while not the subject of this consultation we believe there is also a strong case for the renewal of all local DAB multiplex licences to 2035, to bring about a common end date. At that point Government can consider whether or not to renew all licences for a further period, for as long as DAB continues to be a valued platform for radio broadcasting.

Question 6: We would welcome any views on the future coverage requirements of the multiplexes. Please give your reasons and provide any evidence.

As the consultation notes, Digital One has now been built-out to cover 91% of the population while SDL covers 83%. During the period of their current licences both operators have built-out further coverage, even though this was not required under the terms of their licences.

While there are still coverage gaps, particularly for SDL, and all national broadcasters would like better coverage for their services, the economic impact of building additional coverage must also be taken into account.

The reality is that any coverage obligations on the multiplex operator are in fact obligations on the radio services they carry, as any increase in cost to the multiplex operator from additional transmitters is simply passed on (plus a profit margin) to the radio stations.

If new obligations were imposed as part of a licence readvertisement, then radio stations would not only be faced with the uncertainty and likely cost rises resulting from the readvertisement process but also increased coverage costs.

We believe any decision on further coverage build-out should be left to the multiplex operator in conjunction with its radio service providers.

Question 7 - We would welcome views on whether there is a need for controls on future carriage fees charged by the national commercial DAB network operators on renewal or whether carriage fee increases should be determined by market forces (as now). Please give your reasons and provide any evidence.

We have no comment on this question.

Department for Culture, Media and Sport

Consultation on National Commercial Digital Radio Multiplex Licences 2021

Response from Global

1. Global is one of the world's leading media and entertainment groups and is the UK's biggest commercial radio company and home to the country's biggest commercial radio brands Capital, Heart and Classic FM. Together with Capital XTRA, LBC, Smooth, Radio X and Gold, these brands reach 24 million people every week on the radio, 10 million unique users every month on Global's digital platforms and 6 million people on Global's social media channels.
2. Global is in favour of DCMS amending the Broadcasting Act 1996 to allow a 12-year renewal for the licence currently held by Digital One Limited and a shorter 7-year renewal for the licence currently held by Sound Digital Limited, to align both expiry dates to a common December 2035 date.
3. There are many benefits to extending the current licences, not least that of reducing the costs of applying for licences, providing broadcasters with a strong degree of certainty for their businesses, as well as an incentive to invest and continue to invest in the future.

Response to Consultation questions

Question 1 – *What is the likely impact on the commercial radio sector of maintaining the existing policy and allowing national DAB multiplex licences to be opened to competition? What are the benefits to current and future holders of national commercial radio station licences?*

Question 2 - *What would be the cost, burdens and other impacts for commercial radio in the event that Ofcom had to go through a full open competition for the*

licence currently held by Digital One Limited (by 2022) and the licence currently held by Sound Digital Limited (by 2027)? Please give your reasons and provide evidence.

Global does not support the option of allowing the two national multiplex licences to expire and does not see any benefit to industry or audiences of taking such an approach.

For broadcasters, it could be enormously disruptive if the Government chose to adopt this approach. The potential costs of a relicensing process are significant and would inevitably be passed on from mux operators to service providers, who are at a pivotal moment, balancing pandemic recovery with the ever-increasing competition for audiences not just on DAB but on all platforms.

These costs would be both direct (licence applications, preparation and application fees) and indirect (reduced investment, lost revenue). We would not want to destabilise the positive growth in digital by undermining the financial viability of existing radio stations.

An additional benefit of extending existing licences would be reducing any uncertainty which would otherwise be a disincentive to invest, which is required to secure commercial radio's future position.

There would also be a significant administrative burden placed on Ofcom to manage the process of readvertising and awarding two new multiplex licences.

Question 3 - *We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing (Option 2) a further 12-year renewal for the national radio multiplex licence currently held by Digital One Limited and a further 7-year renewal for the licence currently held by Sound Digital Limited, both to 2035. Please provide any supporting evidence.*

Global strongly supports Option 2 in respect of Digital One, as a renewal for a further 12 years will give stations certainty and stability over their national DAB carriage. This in turn will incentivise investment in the long term which is therefore beneficial

for listeners. Global does not operate stations on D2, operated by SDL, but recognises that it would not be fair to renew one national DAB licence but not the other. If both licences are to be renewed, Global supports a common end date for both national DAB licences.

Little or no benefit is derived from having alternative bidders enter the market to operate the D1 licence. The scope for new licensees to make material changes to the transmission network is very limited in practice, owing to the constraints of frequency planning and the economies of scale from broadcasting alongside other networks on established large transmission sites. New bidders would simply be offering the same or a very similar network and, because Arqiva operates the sites and is obliged to offer services on a regulated rate card, new operators would be unlikely to be able to do so at a significantly cheaper price.

There is the a risk that a new bidder, who is also a broadcaster or a consortium of broadcasters, might seek to monopolise capacity and foreclose the market.

Question 4 - *We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing a further 7-year renewal (Option 3) for the national multiplex licence currently held by Digital One Limited and a further 2-year renewal for the licence currently held by Sound Digital Limited, harmonising the expiry dates of both to December 2030 (in line with the end dates of local digital radio multiplexes). Please provide any supporting evidence.*

Government's principle has been and should continue to be, to encourage and facilitate investment in digital – something the industry fully supports. Limiting renewals in this way undermines the investment case to support this ambition but also means companies with an uncertain future will be less willing and able to invest in content or new services more generally.

Question 5 - *Which of the 3 consultation options (set out above) is your preferred approach for the relicensing of the national radio multiplexes and why? Please state your reasons and provide any supporting evidence.*

Our strong preference is for Option 2, for the reasons set out above.

Question 6 - *We would welcome any views on the future coverage requirements of the multiplexes. Please give your reasons and provide any evidence.*

Increasing coverage requires new transmitters which in turn increases costs. This should be based on negotiations between mux operators and service providers, rather than being centrally imposed. Global believe that service providers, rather than a regulator, are best placed to assess whether increased coverage is commercially viable.

Question 7 - *We would welcome views on whether there is a need for controls on future carriage fees charged by the national commercial DAB network operators on renewal or whether carriage fee increases should be determined by market forces (as now). Please give your reasons and provide any evidence.*

Direct price regulation is not necessary in Global's view.

Service providers are generally large radio groups who are capable of negotiating their own contracts. Mux operators are already under obligation to promote fair and effective competition and service providers can go to Ofcom if they think mux operators are acting unfairly.

Consideration should however be given in the case of D2 to ensuring that there is no reduction in the amount of capacity available to services providers who are not shareholders, as per the answer given to Question 3. Currently 37% of D2 capacity is used by non-shareholders and Global propose that a condition be included in the renewed D2 licence to ensure that this percentage cannot be reduced.



Like Media Group Response

1 message

Ryan Davies <ryan.davies@likemedia.group>

10 September 2021 at 17:16

To: "nationalmultiplexconsultation2021@dcms.gov.uk" <nationalmultiplexconsultation2021@dcms.gov.uk>

Dear Sirs,

Below is the response from myself relating to the consultation on National Commercial Digital Radio Multiplexes. Apologies for brevity in some of the responses, but I am struggling for time.

Arqiva have a large monopoly on the DAB Radio sector. They own various local DAB multiplexes, provide the coding and contribution for all other local multiplexes as well as their 40% stake within Sound Digital Limited. Regardless as to whether they own Digital 1 or not, they would still generate a significant income via the rental space and the use of their masts.

Under 3.7, it says "It is therefore important that the national commercial DAB networks on which so many listeners rely have clarity about longer-term licensing arrangements and that commercial broadcasters whose services are carried on Digital One and SDL also have clarity at a time when they are facing unprecedented challenges." The services apart from UCB on Digital One are either from Bauer, Global and Wireless Group. I would like to highlight the fact that both have increased the number of services they have within 2020 and 2021. The impact to them is significantly less than a smaller radio operator, which I believe clearly invalidates that argument.

To answer the questions directly:

Q1: An open competition will allow a more competitive market, rather than the current "closed shop". It will allow new entrants to the market, potentially further increasing diversity in services. In addition to this, it would possibly allow the end of the monopoly position within the market. Knowing a licence will expire and be competitive, means the provider will ensure they provide the best service possible, and spend the money on the infrastructure, rather than the current state of lack of investment until the last 12 months. Competition brings the best out of everybody...

Q2: Ultimately both would have to stand up the resources as part of the re-bid. In addition, no doubt they will have to commit to uplifts of technology and capability within the bids.

Q3: The advantage of allowing an extension to the current multiplex licences, will provide consistency for operators, and will provide consistency for listeners. The disadvantage is that Arqiva maintain the monopoly within the industry, and you will lack the potential of new entrants / services into the market. I believe this will damage the industry in the long run.

Q4: Harmonising the end dates will create real uncertainty to listeners. It would be mass change potentially all at once. The providers who have services across both, will find it more difficult to keep building their businesses.

Q5: Arqiva have a large monopoly on the DAB Radio sector. They own various local DAB multiplexes, provide the coding and contribution for all other local multiplexes as well as their 40% stake within Sound Digital Limited. Regardless as to whether they own Digital 1 or not, they would still generate a significant income via the rental space and the use of their masts. At the end of the licensing period, I strongly believe they should go back to an open contest.

Q6: I believe Sound Digital should increase the number of transmitters, to get a closer match to Digital One. I believe this will further assist the development of DAB Radio nationally.

Q7: Carriage Fees differ widely between service providers currently. I believe a rate card agreed with Ofcom should be decided, and then any yearly increase capped at RPI. This is to provide a fair competition to all service providers, which I currently question being the case.....

Kind Regards

Ryan Davies

Managing Director

Tel: 07508837642

Email: ryan.davies@likemedia.group

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14 September 2021

The logo for Nation Broadcasting, featuring the words "nation" and "broadcasting" in white lowercase letters on a dark blue background with a rainbow-colored swoosh underneath.

BY EMAIL TO

Nation Broadcasting
St Hilary Transmitter
nr St Hilary
Cowbridge
CF71 7DP

Tel: 029 2141 4100

Dear Sirs

Consultation on National Commercial Digital Radio Multiplex Licenses 2021

Nation Broadcasting welcomes the opportunity to respond to this consultation.

Nation Broadcasting has a number of commercial interests in the development of DAB in the UK. As a station operator we contract for space across a number of local DAB multiplexes and small scale DAB multiplexes with our radio stations including:

DAB only services: Dragon Radio, Nation Radio 70s, Nation Radio 80s, Nation Radio 90s, Nation Dance, Nation Love, Nation Rocks and Nation Radio UK
Analogue FM services also broadcasting on DAB: Bridge FM Radio, Greatest Hits Radio (under brand licence in Ipswich, Hull and the South Coast), Hits Radio (under brand licence in Portsmouth, Southampton and Winchester), Nation Radio Scotland, Nation Radio Wales, Swansea Bay Radio, Radio Carmarthenshire and Radio Pembrokeshire.

Nation Broadcasting also holds equity in a number of local DAB multiplexes including: Muxco Cumbria Ltd, Muxco North East Wales and West Cheshire Ltd, Muxco Suffolk Limited and is the owner of Muxco Wales Ltd, Muxco North Wales Ltd and Bailiwick Broadcasting Ltd. Nation Broadcasting also holds equity in a number of newly licenced small scale DAB multiplexes, including Muxcast One Ltd and UK DAB Networks, and is the owner of Nation Digital Investments Ltd.

Nation Broadcasting is also the lead shareholder in Radioscape Ltd which provides DAB encoding and multiplexing to broadcasters around the globe.

Question 1 – What is the likely impact on the commercial radio sector of maintaining the existing policy and allowing national DAB multiplex licences to be opened to competition. What are the benefits to current and future holders of national commercial radio station licences?

Nation Broadcasting would be supportive of the two national commercial DAB multiplexes being opened to competition. The readvertisement of the second national commercial radio multiplex in 2014 highlights that from the two applications received by Ofcom that there is a keenness from broadcasters to operate national DAB multiplex. This has been further evidenced by the subsequent advertising of local DAB multiplexes in the Channel Islands, Cumbria, Morecambe Bay and Suffolk, three of which were awarded to companies that Nation Broadcasting had involvement with on an equity basis. DAB digital radio broadcasting is now at a mature stage of development in the UK. Since the second national DAB multiplex was awarded to Sound Digital, there has been significant innovation in terms of new services and technology, much of which has been pushed by new

entrants to the market, often in the small scale DAB sector. We believe that Nation Broadcasting has built up significant experience as an operator of multiplexes to allow us to apply for a national DAB multiplex in an innovative way. Through our subsidiary Factum Radioscape we have built a world leading multiplexing platform, ENMUXA, and this puts Nation Broadcasting in the unique position of being the only operator in the UK that understands both the technology of DAB multiplexes, but also the commercial realities of operating radio services. We believe that the benefit of readvertising national commercial DAB multiplexes will lead to more affordable capacity fees for incumbent services, more innovative use of technology, and provide more new entrants the opportunity to broadcast on national DAB.

Question 2 - What would be the cost, burdens and other impacts for commercial radio in the event that Ofcom had to go through a full open competition for the licence currently held by Digital One Limited (by 2022) and the licence currently held by Sound Digital Limited (by 2027)? Please give your reasons and provide evidence.

We submit that Option 1 is the correct path (i.e., allow the two national commercial DAB multiplexes to be readvertised through open competition). We believe that the 'Pre-Advertisement' route that Ofcom use for local analogue commercial radio licences could be adapted for the national commercial DAB multiplexes. The likely application fee of £100,000 will help ensure that well-resourced applicants apply for the licence. The current national commercial DAB multiplex licence operators have been allowed to accumulate significant profits from their position. In the 22 years that national commercial DAB radio services have been available, there has been significant growth in the revenue the radio industry collective makes from national commercial revenue, as opposed to local revenue.

The potential arguments against a new licence competition are spurious at best.

We believe that for the service providers that there does not necessarily have to be uncertainty associated with a potential change in multiplex operator. We believe that in any new licence advertisement Ofcom would look favourably on applicants that provide continuity of carriage on similar terms for existing national service providers. This will mitigate any potential service disruption.

Nation Broadcasting has applied for numerous DAB multiplex licences, and we believe that the cost and time of applying for DAB multiplex either on our own or as part of a consortium are manageable for a well-resourced applicant. In particular, due to the scale of national broadcasting, and the likely application fee, applications will only be made by well financed organisations. The incumbent operators, Digital One and Sound Digital, will already be aware of the technical and financial model of operating a national commercial DAB multiplex and will be in a strong position to apply for a readvertised multiplex licence.

Question 3 - We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing (Option 2) a further 12-year renewal for the national radio multiplex licence currently held by Digital One Limited and a further 7-year renewal for the licence currently held by Sound Digital Limited, both to 2035. Please provide any supporting evidence.

Nation Broadcasting is against further automatic licence renewals for either of the two national commercial DAB multiplexes. We have evolved to become the UK's third largest radio group in terms of number of licences held, yet we are not actively involved either as a shareholder or even service provider within National DAB. On the date of our consultation response, over three quarters of national commercial multiplex capacity is occupied by just three operators. For established

broadcasters, an automatically extended multiplex licence term does not necessarily guarantee that capacity will remain the same, and it offers little incentive to the incumbent multiplex operator to attract new entrants to radio broadcasting or improve coverage. We believe that readvertising the national commercial DAB multiplexes will increase competition and potentially provide more favourable terms to radio services than are currently available and potentially improve coverage.

Question 4 - We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing a further 7-year renewal (Option 3) for the national multiplex licence currently held by Digital One Limited and a further 2-year renewal for the licence currently held by Sound Digital Limited, harmonising the expiry dates of both to December 2030 (in line with the end dates of local digital radio multiplexes). Please provide any supporting evidence.

We disagree with this approach. The evolution of DAB services over the last twenty-two years has suggested a strong appetite amongst listeners and radio groups for national radio services. We believe that a 2030 cut-off for a licence extension is not necessary because current demand indicates that at least two national commercial DAB multiplexes will still be required by 2030. Readvertising both of the existing national commercial DAB multiplexes at the end of their current expiry for another 12 years each will not preclude any potential spectrum changes in 2030 because of the SFN nature of the national DAB multiplexes. In the last decade we have seen that reorganising DAB frequency allotments away from regional allocations in England to location ones was not to the detriment of national DAB services. It is entirely possible in 2030 to reallocate spectrum to either allow further national multiplexes, or a reshaping of the local multiplex tier without detriment to the existing two national commercial DAB multiplexes.

We also believe that a staggered readvertisement of the two national commercial DAB multiplexes will be more manageable for applicants and Ofcom than advertising them both at the same time.

Question 5 - Which of the 3 consultation options (set out above) is your preferred approach for the relicensing of the national radio multiplexes and why? Please state your reasons and provide any supporting evidence.

Nation Broadcasting's favoured approach is for the existing national commercial DAB multiplexes to be readvertised when their current licence terms expire. Nation Broadcasting strongly disagrees with DCMS in their assumption that new multiplex operators will have little scope over costs. We believe that a new multiplex operator would have significant scope to negotiate costs with Arqiva. At present, Arqiva is effectively negotiating with itself, with little incentive to reduce transmission costs for service providers.

Through our subsidiary Factum Radioscape, we have the ability to manage the encoding, multiplexing and distribution of radio services in house, and we have been steadily establishing relationships with new transmission providers. As DCMS will be aware, over the last decade Arqiva has been steadily selling off its portfolio of transmission sites. While it is true that any new national multiplex provider may use Arqiva for site access in specific locations, alternative locations and providers are also available.

We believe that a new licence holder would likely increase the number of DAB+ services, this could have a significant positive overall impact on the number of services available to the listener. In particular, in the case of the licence held by Digital One, listeners could benefit from improved coverage. Nation Broadcasting would aspire to reach 95% UK coverage operating a national commercial DAB multiplex.

Question 6 - We would welcome any views on the future coverage requirements of the multiplexes. Please give your reasons and provide any evidence.

We would expect the future coverage requirements of a readvertised national commercial DAB multiplex to be in line with the expectations of radio groups and listeners. We would expect that to build the adoption of the DAB platform amongst listeners that coverage of any newly licenced DAB multiplex would need to be broadly the same or superior to that of the incumbent multiplexes to provide a satisfactory listening experience.

Question 7 - We would welcome views on whether there is a need for controls on future carriage fees charged by the national commercial DAB network operators on renewal or whether carriage fee increases should be determined by market forces (as now). Please give your reasons and provide any evidence.

DCMS suggests that it considers price capping a potential mechanism, however we believe that a true market led approach could lead to cost savings for services. Through Nation Broadcasting's experiences of running local and small scale DAB multiplexes, we believe that to provide automatic renewal to the two national commercial DAB multiplexes provides no incentive to reduce costs, provide a better service, or to technically innovate. We believe that it would be better for Ofcom to conduct period reviews to see if capacity chargers were fair, as opposed to price capping, which may lead to multiplex operators limiting their investment in DAB multiplexes.

In closing, whilst we restate our view that the National Multiplex licenses should be re-advertised, we also ask for consistency across the sector. If the National Multiplexes are rolled automatically, then the same logic should also be applied to incumbent local DAB operators when their current license periods expire.

Yours faithfully



Jason Bryant
Executive Chairman



Consultation on National Commercial Digital Radio Multiplex Licences 2021

1 message

Surjit <surjit@panjabradio.co.uk>

14 September 2021 at 11:44

To: "nationalmultiplexconsultation2021@dcms.gov.uk" <nationalmultiplexconsultation2021@dcms.gov.uk>

Dear Rt Hon. John Whittingdale OBE MP
Minister of State for Media and Data

Please see my answers for the above consultation,

Q1. The whole process of advertising and awarding licences would create a lot of uncertainty for the radio industry. During the FM/AM licence extension discussion there was a general consensus that the negatives of readvertising outweighed the advantages.

Q2. It's the same issue of the cost of the process. But also, stations (whether big groups of independent stations) have plenty of thing they need to focus on (Covid, changing listening habits, how to maximise the benefits of Voice Speakers) without the distraction that a readvertising might bring.

Q3. Arqiva sees its role and the fact it doesn't run any radio stations as a plus. Everybody is treated in the same way – whether they're big or (relatively) small. Keeping that independence and fair treatment via Arqiva's ownership of D1 and its role in SDL is important for all stakeholders. Long term certainty is helpful and a good thing.

Q4. 2030 is, in terms of growing a radio business, a short period of time. Dealing with this issue now and providing clarity through until 2035 is more helpful than setting the date at 2030.

Q6 Probably a question for the market to decide rather than for government or Ofcom.

Q7 Back in 2009, Panjab was on D1. There was a commercial negotiation on price and D1 showed flexibility. Also, when Panjab wanted to break the contract and came off, a fair settlement was sorted out and there wasn't a termination payment (which there could have been). Similarly with SDL Panjab did a deal and Arqiva was flexible and changed some of the contract terms. When Panjab came off SDL, it was dealt with fairly by Arqiva in difficult circumstances. And with Covid, DCMS played a key role in negotiating the deal for radio stations but it was Arqiva that funded the first lockdown deal and paid out significant sums of money. The radio industry knows Arqiva isn't a charity and lower prices are always something customers would welcome – but there's a recognition that Arqiva plays a key role for the radio industry and has stood behind it at some key times.

Warm regards
Surjit S Ghuman MBE

558AM (London)
DAB Digital Radio

Sky Channel 0130

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consultation response from sunrise radio London Ltd

1 message

Tony Lit <tonylit@sunriseradio.com>

15 September 2021 at 11:47

To: "nationalmultiplexconsultation2021@dcms.gov.uk" <nationalmultiplexconsultation2021@dcms.gov.uk>

Consultation response .

As independent station operating on the SDL Mux since its inception in 2016 , I would recommend an extension ideally to 2035 , which brings stability to the National station operators .

My major key point relates to question 7 , and in particular for independent stations Like Sunrise radio which serves the British Asian community , I think there should be a fee cap mechanism or a subsidised fee potentially , because if just left to market forces , Stations like Sunrise Radio will be unsustainable as a National radio station , which effectively will reduce choice for the public , it will no longer be about choice and diversity of channels , it will be about which media group has the deepest pockets , and that in turn will affect the quality and diversity of choice .

I would also like to add that I have always been more comfortable with Arqiva as the largest stakeholders of SDL mux and that sentiment remains the case nearly 6 years on , with them being a non-radio station operator , rather than the big radio groups controlling the muxes which would give them de facto control of the uk radio market .

My apologies for the late response I hope it can still be considered .

Kind regards

Tony Lit

Tony Lit MBE | Managing Director | Sunrise Radio

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Response to Open Consultation on National Commercial Digital Radio Multiplex Licences 2021

1 message

David L'Herroux <dnl@ucb.co.uk>

13 September 2021 at 13:42

To: "nationalmultiplexconsultation2021@dcms.gov.uk" <nationalmultiplexconsultation2021@dcms.gov.uk>

RE: Response to Open Consultation on National Commercial Digital Radio Multiplex Licences 2021

To whom it may concern,

I am writing to you on behalf of United Christian Broadcasters (UCB). Since 2009 we have held a national DAB licence through Digital One Limited for our radio station UCB 1. And, since 2016, we have held a national DAB licence through Sound Digital for our second station UCB 2. Please find below the responses of the UCB Executive team to the questions posed in the consultation document.

Question 1 – *What is the likely impact on the commercial radio sector of maintaining the existing policy and allowing national DAB multiplex licences to be opened to competition? What are the benefits to current and future holders of national commercial radio station licences?*

Commercial competition at a national level is important to help ensure national radio stations are getting value for money for the licences, bearing in mind the significant costs involved. But renewing these licences more frequently than the existing policy would be detrimental, as this would take up precious time and hinder the ability to make long term plans.

UCB has valued the long-standing relationship with Arqiva, developed over many years, with its fair and personal approach. Having to establish a trustworthy working relationship with a new operator would not be helpful or desirable.

Question 2 - *What would be the cost, burdens and other impacts for commercial radio in the event that Ofcom had to go through a full open competition for the licence currently held by Digital One Limited (by 2022) and the licence currently held by Sound Digital Limited (by 2027)? Please give your reasons and provide evidence.*

A full open competition for UCB would threaten the existing long-term agreement that is in place and was concluded after many, many months of discussions and negotiations.

Please note that UCB is not funded commercially but dependent on the faith-inspired generosity of our largely Christian supporter base. It is important, therefore, that UCB follows its agreed strategic plan and is not diverted by a protracted process of renegotiation.

Question 3 - *We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing (Option 2) a further 12-year renewal for the national radio multiplex licence currently held by Digital One Limited and a further 7-year renewal for the licence currently held by Sound Digital Limited, both to 2035. Please provide any supporting evidence.*

This would be UCB's preferred option, as both stations will be part of the D1 multiplex by March 2022 so a further renewal would give UCB a solid base to plan ahead and utilise its finances efficiently and effectively.

Question 4 - *We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing a further 7-year renewal (Option 3) for the national multiplex licence currently held by Digital One Limited and a further 2-year renewal for the licence currently held by Sound Digital Limited, harmonising the expiry dates of both to December 2030 (in line with the end dates of local digital radio multiplexes). Please provide any supporting evidence.*

This would not help UCB, as a 7 year renewal period would, in practice, mean stability for no more than about five years, bearing in mind how long negotiations take to conclude, especially with new operators.

In addition, harmonising the expiry dates of the national licences to then co-incide with the many local licences would create chaotic scenes, as everyone would be trying to renew (or otherwise) at the same time.

Question 5 - *Which of the 3 consultation options (set out above) is your preferred approach for the relicensing of the national radio multiplexes and why? Please state your reasons and provide any supporting evidence.*

Definitely Option 2 – and this is the view of UCB's Executive, led by CEO David L'Herroux.

This would allow UCB1 and UCB2 to remain on the D1 multiplex well beyond Arqiva's renewal date in November 2023.

Question 6 - *We would welcome any views on the future coverage requirements of the multiplexes. Please give your reasons and provide any evidence.*

UCB would welcome any plans to expand the number of transmitters that would enable our stations to reach into areas of the UK currently not well covered or not covered at all by D1.

UCB's mission is centred on reaching as many people as possible so an expansion of coverage would tie in with this.

Question 7 - *We would welcome views on whether there is a need for controls on future carriage fees charged by the national commercial DAB network operators on renewal or whether carriage fee increases should be determined by market forces (as now). Please give your reasons and provide any evidence.*

UCB is in a unique position because, though treated as a commercial operation, this is not the case at all. UCB has no 'net broadcast revenue', for example, because the donation income comes from loyal supporters, many of whom only know of UCB through our free publications.

In addition UCB is obliged to pay VAT which is a hard burden to bear – when supporters have given so sacrificially.

So though a rate card approach has certain advantages, the freedom to negotiate outside of that rate card continues to be invaluable.

Kind Regards,

David

David L'Herroux

Chief Executive

Phone: [+44 \(0\)1782 903853](tel:+441782903853)

Email: dlherroux@ucb.co.uk



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14th September 2021

Re: Consultation on National Commercial Digital Radio Multiplex Licences 2021

Dear Sirs,

UK DAB Networks Ltd are a new entrant to the DAB market, established as a joint venture by myself, Ash Elford, and leading radio group Nation Broadcasting Ltd.

UK DAB Networks has successfully been awarded by Ofcom small scale DAB multiplexes for Alnwick/Morpeth, Basingstoke, Inverclyde and Winchester. UK DAB Networks has also provided consultancy services for successful third party applications for Glasgow, the Isles of Scilly, Salisbury and the Welsh Valleys, and is currently involved in a number of active small scale DAB applications.

I have been involved with DAB digital radio broadcasting since 2006. I have personally overseen the operations of numerous small scale, local and regional DAB multiplexes as consultant and employee, in addition to briefly being associated with Digital One in 2007. I have also worked for Arqiva, and therefore consider myself to have a great deal of understanding in relation to the application, design, build and operation of a DAB multiplex.

In response to the specific questions asked by the DCMS:

Question 1 – What is the likely impact on the commercial radio sector of maintaining the existing policy and allowing national DAB multiplex licences to be opened to competition. What are the benefits to current and future holders of national commercial radio station licences?

Question 3 - We would welcome views on the advantages and disadvantages to the commercial radio industry of allowing (Option 2) a further 12-year renewal for the national radio multiplex licence currently held by Digital One Limited and a further 7-year renewal for the licence currently held by Sound Digital Limited, both to 2035. Please provide any supporting evidence.

Question 5 - Which of the 3 consultation options (set out above) is your preferred approach for the relicensing of the national radio multiplexes and why? Please state your reasons and provide any supporting evidence.

Since the enactment of the Broadcasting Act 1996, the expectation amongst radio groups and the regulator is that the national commercial DAB multiplexes will be re-advertised when they expire. That has been a clear expectation laid in statute. The default position is one that the industry has collectively always been aware of, and has built its business around accordingly.

The benefits of re-advertising the licences are clear. It will lead to a competitive licence application process. I believe that it is possible to provide better coverage and more affordable carriage fees for service providers. I believe there has been a complacency in the radio industry with its reliance on Arqiva for services such as transmission and multiplexing which can be achieved more cost effectively through the use of other providers. Even if a winning applicant were to use Arqiva for transmission and multiplexing services, the nature of a new licence and alternative transmission and multiplexing providers will at least ensure that Arqiva become more competitively priced than they are now.

The benefits of automatically rolling over the national commercial DAB multiplex licences mainly benefit Arqiva from gaining renewed transmission and multiplexing contracts. Service providers are unlikely to benefit from reduced costs, consumers are unlikely to benefit from more services, technological innovations or improved coverage.

Your DAB digital radio specialist.



Arqiva are unlikely to innovate without the risk of new competition. Certainly, over the last six years, much of the industry led innovation has come from the new entrants in the small scale DAB sector, to which Arqiva has, belated, reacted to. In particular, the adoption of improved MP2 audio codecs, DAB+, slideshow, and online service provider management. Ultimately the consumer benefits from innovation through new and enhanced DAB digital radio services.

I believe existing service providers on national commercial DAB multiplexes will be safeguarded through existing “Fair and Effective” licencing provisions in the event the two national commercial DAB multiplex licences are readvertised.

I strongly support the proposed “Option 1” as it provides the best outcome for listeners and the wider radio industry.

Question 2 - What would be the cost, burdens and other impacts for commercial radio in the event that Ofcom had to go through a full open competition for the licence currently held by Digital One Limited (by 2022) and the licence currently held by Sound Digital Limited (by 2027)? Please give your reasons and provide evidence.

Radio licences are regularly advertised, considered and awarded by Ofcom. All major radio groups, and many smaller operators have experience of apply for licences. If there is a full open competition for the two national commercial DAB multiplexes, provided it is held in a similar format to the advertisements of the licences currently held by Digital One and Sound Digital, the radio industry and Ofcom will be familiar with the costs and time of application process.

Question 6 - We would welcome any views on the future coverage requirements of the multiplexes. Please give your reasons and provide any evidence.

If the multiplexes were readvertised, I would expect there to be an emphasis on ensure coverage is comparable to what is currently achieved as a minimum. I believe that a competitive multiplex advertisement will however lead to more innovative transmission proposals that will further enhance coverage in a cost effective way, benefitting both listeners and radio groups.

Question 7 - We would welcome views on whether there is a need for controls on future carriage fees charged by the national commercial DAB network operators on renewal or whether carriage fee increases should be determined by market forces (as now). Please give your reasons and provide any evidence.

This question really emphasises why it is important that the two national commercial DAB multiplexes are readvertised. In a competitive application format, applicants will be incentivised to offer competitive terms. Without a competitive licence advertisement, Government or Ofcom will be forced to step-in and provide arbitrary controls – which would not be a measure of a successful licencing regime.

In summary, I strongly support the readvertisement of the two national commercial DAB multiplexes.

Kind regards,

Ash Elford
Managing Director, UK DAB Networks Ltd

DCMS CONSULTATION ON NATIONAL COMMERCIAL DIGITAL RADIO MULTIPLEX LICENCES**WIRELESS RESPONSE****SEPTEMBER 2021**

Wireless welcomes the opportunity to give its views on the various licence renewal options being considered by the Department for the two national commercial DAB multiplexes, namely:

- **Option 1** (do nothing): allow the two national multiplex licences to be re-advertised for a further 12-year period through an open competitive process adjudicated by Ofcom in accordance with existing legislation;
- **Option 2** (renew to 2035): amend the Broadcasting Act 1996 to allow a 12 year renewal for the licence currently held by Digital One Limited (“D1”) and a shorter 7 year renewal for the licence currently held by Sound Digital Limited (“D2”), to align both expiry dates to a common December 2035 date;
- **Option 3** (renew to 2030): amend statute to allow a shorter 7 year renewal for the licence currently held by D1 and a 2 year renewal for the licence currently held by D2, to align both with the expiry dates of the local DAB multiplex licences in December 2030.

OPTION ONE – THE PRO-CONSUMER OPTION

Wireless’ overriding preference is for Option 1, as this option supports competition, innovation and investment and, as a consequence, is likely to produce a better outcome for consumers. This would be particularly beneficial in respect of the D1 licence. The multiplex has now been on air for over two decades, playing a key role in delivering national commercial radio services to audiences. During this period it has never been subject to a competitive retendering process and in recent years it has advertised limited openings for new services to join the line-up.

An open, market-driven, competitive tender process that introduces a degree of jeopardy for incumbent licensees is more likely to produce optimal, fresh, innovative outcomes than the alternative options under consideration – which do not provide the same market-driven incentives to drive ongoing performance improvements and cost efficiencies.

A further benefit of Option 1 is that government does not need to take any action; rather it will be for commercial industry stakeholders to make compelling proposals and for Ofcom to assess their applications in the usual way with reference to the legislative criteria.

A competitive bid process will also serve to maximise the efficiency and quality of the technical solution deployed in the new licence period. These technical and network design considerations constitute critical aspects of the licence award adjudication process, providing a spotlight on investment and innovation to optimise efficiency, power consumption and functionality for what is a prime piece of UK broadcasting infrastructure.

Option 1 will also more likely result enhancements to service offering and choice, as applicants will be prompted to introduce new innovation in their proposed line-ups of services, thereby broadening choice and maximising the satisfaction of listener tastes and interests.

A competitive process, even if subsequently won by the incumbent, will consequently deliver better outcomes in terms of coverage, cost and service line up – and therefore better outcomes for consumers. The other two Options will not deliver the same outcomes.

OPTION THREE – CLIFF EDGE IN 2029

As regards Option 3, a 7-year renewal of the D1 licence and a 2-year renewal of the D2 licence would align the expiry dates of both these licences with the existing licence end dates for most local radio multiplexes (being December 2030). This harmonisation of licence end dates across national and local commercial DAB multiplex licences would indeed provide an opportunity for a wholesale change in the allocation of broadcast spectrum by commercial radio in the 2030s.

However, it is not clear whether such a wholesale change to the current spectrum allocation plan is needed, or desirable. The practical, economic, technical and international implications of a wholesale change to the existing UK DAB frequency allocation plan are very substantial for what would be an unclear benefit. If the strategic objective of a wholesale re-planning exercise is to allocate more spectrum to enhance consumer choice by relieving existing capacity supply bottlenecks via the creation of more national or local DAB multiplexes (for example), then aligned licence end dates will not further such an objective.

If anything, the resulting cliff edge might work to cause significant uncertainty and disruption within the radio industry, as travel towards a looming harmonised end date would inject uncertainty and risk, stalling investment and innovation at a crucial time in the industry's development. Furthermore, this Option 3 would put an unnecessary and potentially un-workably large administrative burden on all UK radio industry stakeholders as they moved to process a tsunami of licence renewals /extensions /reallocations /retunings /reengineering works all at once.

Finally, Wireless notes an obvious unfairness to the D2 licence and the services it carries of a limited 2 year renewal, given the comparative youth of the D2 licence network and its line-up. Unlike the D1 licence, the D2 licence has also not benefited from any existing licence renewal legislation. In many cases its services are still establishing themselves on a stable footing and building their audiences, a process which has been disrupted for many by the Covid-19 pandemic.

As a consequence of these factors, Option 3 is not a viable or practical option.

OPTION TWO – SUB-OPTIMAL AND UNFAIR

Looking then at Option 2; in the consultation document, the DCMS argues that a longer term renewal (until 2035) would provide national multiplex licence holders with certainty and stability, and that this stability would in turn foster an environment that would allow broadcasters to support government objectives to support a listener-led transition of radio to digital.

Wireless notes that the D2 licence already has a significant unexpired portion of its licence period remaining, with significant further migration of listening to digital platforms likely to have occurred before the expiry of its current term. This theoretical justification therefore appears intended to apply primarily to the D1 licence, currently controlled by Arqiva.

In relation to this D1 licence, it is not clear by what mechanism, either direct or indirect, allowing Arqiva and Digital One an uncontested licence renewal would “support a listener-led transition of radio to digital”. No proposals have been set out by Arqiva or other parties as to how this would be achieved. And it also unclear on what basis the DCMS considers that a listener-led digital transition would not be achieved if the national commercial multiplex licences were renewed by competitive processes.

In fact, a strong argument could be put forward to state that it is only a competitive, innovative bid for the D1 licence - one that retains the key INR services that listeners expect, and delivers a refreshed bouquet of services that broadens choice and meets real consumer demand, across (no doubt) an enhanced network coverage area optimised for listeners’ current and future needs – that will truly deliver for consumers; and thereby, by definition, act as a positive catalyst for listeners to make the transition to a fully digital future.

Furthermore, in relation to Option 2, we question the equity and rationality of not offering a 12-year renewal to the D2 licensee. It is unclear to us as to why the D2 licence should be offered a shorter renewal than the D1 licence. D2 operates a consortium-led approach that, despite the disruption of COVID-19, has brought real innovation and investment to UK radio. Conversely D1 is understood by Wireless to operate as a highly profitable network, which is vertically integrated with the UK’s primary transmission services provider.

ADDITIONAL ISSUES

In our response above, Wireless’ clear preference is for Option 1. However, if the DCMS is unpersuaded by a pro-consumer course of action, and instead elects to introduce legislation to roll-over the national DAB licences; and does not seek an “Option 4” of renewing the D2 licence for a similar 12-year term to that offered to D1; then, of the two options presented, Option 2 is clearly preferable to the risky cliff edge that would ensue under Option 3.

In such a scenario, Wireless would consider it imperative that firm conditions be imposed on D1 in relation to the following two critical areas:

1. Network Coverage
2. Transparent capacity allocation and pricing

Coverage Enhancement Obligations

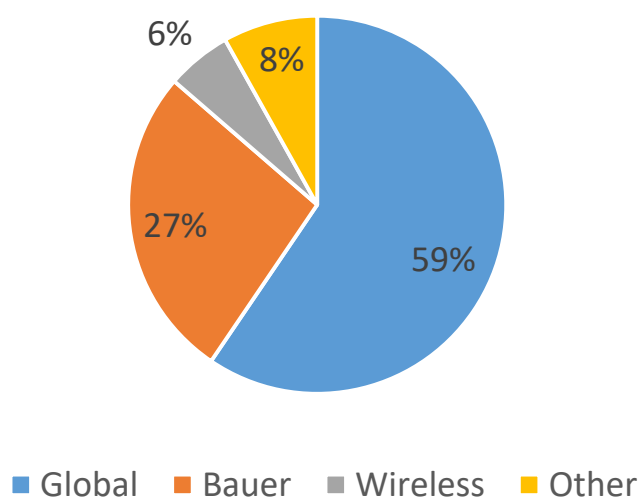
Given the presence of INR services on the D1 platform, in return for rolling over its licence without undertaking a competitive process, the incumbent D1 licensee should be obligated to build out coverage. We note that in recent work undertaken by Ofcom and the Broadcast Radio Coverage Group (BRCG) as part of the DCMS Radio and Audio Review, it was found that a further 134 sites would be needed to be added into the existing 161 site D1 network to fill the deficiencies identified

against Classic FM coverage; though we note further work may be recommended as part of the Review to prioritise addressing road deficiencies.

To reintroduce some of the efficiencies lost by not running a competitive tender, D1 should be required to deliver this enhanced coverage without passing on excessive additional cost to broadcasters/service providers. Rather, by requiring the majority (i.e. 80%+) of the incremental costs of this network expansion to be borne by Digital One Limited and not be passed on to broadcasters this will incentivise D1 (and consequently Arqiva Transco) to deliver this coverage enhancement in an innovative, low cost format that does not compromise network availability. We suggest this condition be set out in any new legislation and be policed by Ofcom and/or the Office of the Adjudicator, Broadcast Transmission Services.

Transparent process for capacity allocation and pricing

As at the date of this submission, the D1 capacity is allocated as follows:



As part of any rollover of the D1 licence, the current licensee must publish a clear process for how the capacity will be allocated in the renewal term. Clearly, the three INR services will maintain their reserved capacity allocations (Wireless suggests that each INR is allocated a reserved assignment of 128kbits similar to the reserved capacity allocations given to the BBC local/nations services on the local DAB layer, which each INR can utilise in any way it sees fit (subject to Ofcom approval) including by sub-letting that capacity to affiliates). An open, transparent, capacity allocation process could then be run for large, multi-licence networked analogue services which simulcast national output via D1 (so Magic, Heart, Capital, Smooth, Kiss, LBC, Radio X) and other large-scale DAB only services (such as Times Radio, UBC, Virgin Radio, talkSPORT 2, etc.).

An open and transparent capacity allocation process is absolutely critical to maintain fair and effective competition. ✂ Wireless is concerned that Arqiva may have already concluded binding agreements with current service providers that extend beyond the existing 2023 licence term. Wireless believe that Arqiva must disclose the existence of such arrangements, if they exist, and that any new legislation introduced to handle any licence rollover include provision that nullifies such

contracts and forces Digital One Limited to publish and run a transparent, open capacity allocation process.

Finally, to avoid excessive capacity price inflation, the auction mechanic must be designed such that capacity prices are equalised across all service providers and that price-per-capacity unit (£/CU) does not exceed the maximum price currently paid by any party contracted on the multiplex. This to excessive avoid profiteering from Arqiva/D1. In light of a price cap, capacity to be allocated on the basis of points system that weights bidders according to objective metrics such as current listening hours and reach, ownership plurality. These details to be published by D1 ahead of the auction process.

ENDS