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radio

Lord Carter of Barnes
House of Lords
SW1A OPW

Thursday 29th January 2009

Dear Lord Carter,

Having digested the Ofcom PSB Review, I wanted to draw your attention to some fundamental opportunities for consideration. I was disappointed to note that radio was barely mentioned in the Review and therefore wanted to ensure that we submitted comment on three points. I am aware that Ofcom have said that it will deal with Radio at a later date but in the areas below, it may be that radio forms part of the solution to an overall PSB obligation.

First, content for devolved regions was seen by Ofcom as an area which was neglected by both commercial and publicly funded TV operators. Ofcom further felt this would be exacerbated going forward, bearing in mind the pressures commercial TV is facing. It is true that this is an issue for all TV networks, but ignores the role of radio. It is much less of an issue for regional and local radio, where local news, information and locally known presenters anchor a station to the fabric of the community a station serves.

My second point concerns the Ofcom view that audiences want a choice of provision. Regional and local commercial radio stations reach 50% of the population every week, (Rajar QTR 4 08) delivering their extensive local content at no cost to the public purse. This extensive listener engagement is a key strand supporting plurality of local provision.

Finally, there is a view expressed by Ofcom that the availability of content was felt to be more important to audiences than the platform over which it was delivered. We take heart from this and note that Ofcom sees the provision of content for devolved regions and a choice of provision to be priorities in terms of funding. I would urge you to consider radio's position (both on-air and on-line) as a cost-effective provider of local and regional content and as an alternative delivery platform to television.

I realise that we will be presenting to you in a more structured and detailed manner during the consultation process that will take place over the next few months, but I was keen to raise these points with you early in the process.

Yours sincerely,

Travis Baxter
Managing Director Radio, Bauer Media

cc: Jeremy Hunt MP, Rt Hon Andy Burnham MP

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Lord Carter of Barnes
House of Lords
London
SW1A OPW

Wednesday 11th March 2009

Dear Lord Carter

I am writing to outline our further thinking following publication of the draft report on Digital Britain.

The UK radio division of Bauer Media is part of the global Bauer Media Group, this UK radio business broadcasts to 13million adults each week and is strongly profitable, achieving good results even in these stringent times although revenues are declining rapidly as the economic conditions continue to worsen. The business is driven from our focus of delivering robust local radio services with a strong commitment to localness in all the major population centres of the UK.

The key strategic drivers of our business are:

- Delivery of market leading audiences in the local markets we serve.
- Local management of our business.
- Close connection with the local community, business and stakeholders generally.
- Strong national agency and client commercial relationships.
- Responsiveness to changing consumer behaviour.

The delivery of these key drivers is achieved through:

- Providing really engaging entertainment that really reflects the locality, integrated with extensive local news provision, quality sports coverage and commentary and long form documentary programmes.
- A local management team in each market with accountability and responsibility.
- Local business units and local management providing multiple contact points into the local community and a charity “cash for kids” in each area supporting needy children.
- An innovative national agency sales operation based in London, Manchester and Edinburgh.
- Innovation illustrated by our taking a lead on new national radio services, DAB, Freeview, new on-line classified businesses and personalised radio.

We have considered the draft Digital Britain report at length and we have three areas in which we would like to make comment: DAB, Public Service Broadcasting and localness, and potential changes to ownership regulations.

As regards DAB we have not changed our view from the position we articulated to the DRWG and for completeness this has been attached.

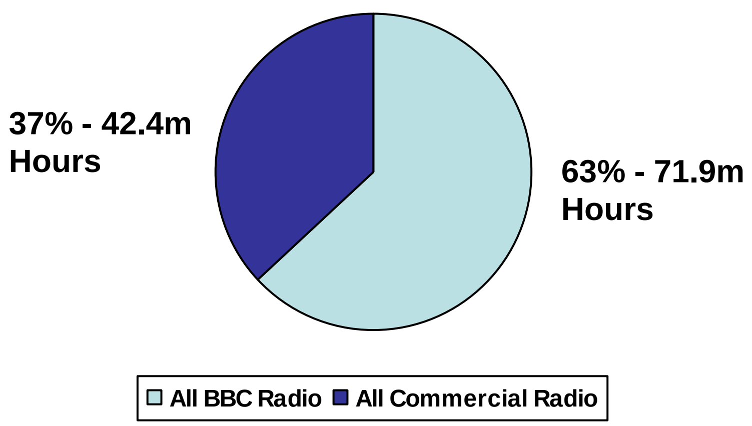
We would like to highlight the following points from our DRWG submission:

- It is likely that we will need to continue broadcasting on both DAB and FM for the foreseeable future. This duplication incurs an operating cost that could otherwise be used to improve our content and our local news provision.
- We will probably need to realign the business model of the DAB multiplexes and more clarity is needed over the regulatory framework that would ensure this could be carried out in the most effective way.
- There remains the need for a significant intervention to drive consumer uptake of DAB.

Since the draft report we have agreed to set up a coordination group with the BBC to facilitate cross radio solutions in particular around DAB and on-line, and to consider how best to focus the work currently conducted by the DRDB.

While collaboration with the BBC is helpful it is worth noting that if DAB becomes the primary radio broadcast platform in the future and if commercial radio is not able either through resourcing issues or as a result of competitive BBC initiatives to develop its consumer offerings significantly then the current DAB listening split which gives the BBC a 63% share of DAB audiences could result in a DAB future where the BBC has a significantly stronger position with audiences than it currently enjoys.

The DAB market: Share of hours – Rajar Qtr 4 2008



The need for commercial operators to continue with double transmission costs for at least another seven to nine years - as suggested in the DRWG report and the draft of Digital Britain - following this current period of economic disruption will significantly attenuate the sectors development especially around content and may well affect its very survival.

The rapid growth of other technologies including Sony's recent announcement that 90% of their products will be wifi enabled by 2011 will increase the risk that DAB will not develop as a pre-eminent platform for radio as it becomes squeezed by new competing technologies. The core proposition in Digital Britain of universal broadband by 2012 will itself bring rapid change that will impact on the commercial radio model.

Notwithstanding the challenges from other technologies we continue to support DAB. However our view is that the draft Digital Britain report is too conservative in regard to the time frame for the drive to digital, planning to switch off analogue radio in 7- 9 years is just too long to wait and the intervention to drive digital will need to have much more ambition.

The Digital Radio Delivery Group is a great initiative to lead the DAB process and commercial radio's partnership with the BBC will coordinate an all radio response, but notwithstanding the issues of including DAB in cars a major initiative needs to be devised and successfully implemented over the next two to three years (by 2012) not the next seven to nine.

Regarding PSB, we wrote to you on January 29th (letter attached) to outline our view that provision and plurality of local news can be delivered really effectively by commercial radio. We already provide an extensive service of local news to all the markets served by our radio business and this service is highly regarded, Bauer radio stations have won over 20 Sony Awards (in competition with the BBC) for news and local content provision over the last three years.

We strongly believe that commercial radio is one of the most efficient means of delivering local news; it is live, delivers news as it happens and is very cost effective. Over 4.5 million people listen to Bauer Radio news bulletins every day, the schedule below shows the current resources and commitment of Bauer Radio to its successful local news delivery across the UK.

Any PSB funding initiatives for local news should in our view include local commercial radio at the core. The content production model of commercial radio, based on continual reporting and live broadcasting demands an approach to immediacy and the updating of news material that is most suited to the developing demands of consumers. The newspaper model where a news story reaches its reader up to 7 hours after a report is filed is increasingly out of date. PSB funding initiatives that exclude commercial radio would distort the market to the significant detriment of local commercial radio.

Moving to ownership, we believe there is considerable scope for further flexibility across media ownership. However this should be to create a growing and dynamic media environment. At the local level it would be totally inappropriate to allow flexibility of ownership to change the competitive landscape so that commercial radio is disadvantaged in such a way as to reduce its ability to deliver quality local programming, community involvement and news provision, services currently provided at no cost to the public purse.

We look forward to meeting you to discuss these points further in due course.

Kind Regards

Travis Baxter
Managing Director, Radio

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Schedule of Bauer Radio news provision

- 144 staff employed in News and Sport.
- Total spend in news and sport per year is £4.1m.
- Bauer Radio stations run 646 bulletins across our stations per weekday and 494 bulletins over the weekend.
- Bauer broadcasts 33 hours of news per weekday across our stations. Bauer broadcasts over 186 hours of news per week in total.
- A minimum of 50% of each bulletin is local news stories however we usually average 70%.
- Bauer stations broadcast between 8 and 40 stories per day.
- 4.6 million people listen to Bauer Radio news bulletins every day.

BAUER MEDIA

Schedule of Bauer Radio News and Speech Sony Awards

2008		
The Sports Programme Award	All the Tickets in the Wrong Hands	Radio City 96.7
The Breaking News Award	The South Yorkshire Floods	Hallam FM and Magic AM
The Local and Regional Lifetime Achievement Award	Gold – Eamonn Mallie	Downtown Radio
2007		
The Sports Programme Award	SuperScoreboard	Clyde 1
The News Journalist of the Year	Key 103 and Magic 1152 news Team	Key 103 and Magic 1152
The Live Event Coverage Award	The Alan Shearer Testimonial	Magic 1152
The Live Event Coverage Award	Notting Hill Carnival	Kiss 100
2006		
The News and Current Affairs Programme Award	Viking FM News	96.6 Viking FM
The News Journalist of the Year	Radio City News Team	Radio City 96.7
The Feature Award	Nobody Told Me There'd be Days Like These – John Lennon 25 Years On	Radio City 96.7
The News Feature Award	The Big Issue	96.9 Viking FM
The Breaking News Award	Glazer and Manchester United	Key 103
The Live Event Coverage Award	Escape to Victory - LFC Champions of Europe	Radio City 96.7

BAUER MEDIA – SUBMISSION TO DRWG

We propose:

- Full support of Drive-to-Digital with analogue switch off at the appropriate time
- Commitment to on-going investment in local content, news and local entertainment, continuing support for local market initiatives such as Cash for Kids all of which add significant Public Value
- The development of new national radio opportunities
- The development of new innovative uses for new technology around the "broadcast" DAB system
- The development of new listener propositions, Radio of the Future
- Support to market DAB and new creative solutions around this and other digital technology platforms

We need:

- DAB to be confirmed as the primary replacement for analogue
- Analogue licence rollover till switchover
    - Simulcast local services
    - Small FM only stations
- A move to output regulation of all analogue licences
- Extension of DAB licenses to run for a third term
- Strong support from motor manufacturers
- Removal of obstacles to DAB development:
    - Import duty on recording devices
    - Postponement of AIP Spectrum tax
- **Commitments from the BBC**
    - To lead consumer adoption by making premium national content available exclusively on DAB at an early stage
    - To restrain its local activity to ensure local markets are not swamped by new BBC initiatives.
    - To adhere to content obligations to the Trust
    - Improve the public service content on Radio1 and Radio2
    - To make significant contribution to the cost of local DAB expansion

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Bauer Media & Drive-to-Digital

Bauer Media operates major market radio stations throughout the UK. In the most recent Rajar our radio brands achieved 11.1% market share and reached 25% of UK adults. More details of our market position, brands and distribution are provided in Appendix 1.

Bauer Media acknowledges the significance of Digital Britain to UK plc as an important and significant public policy objective. We believe that radio, including commercial radio, could play a major part in the Drive-to-Digital initiative within Digital Britain. Balancing the delivery of public value while sustaining financial viability of the commercial radio sector will call for a particular combination of 'carrot-and-stick'.

Bauer might currently be considered to be close to what has been termed 'Safe Harbour', but we do not consider this a great place to be! Costs of dual transmission cannot be shouldered long-term. We are therefore prepared to commit to a digital future for the Bauer radio business within the 'Drive-to-Digital' vision which has emerged.

Digital distribution mechanisms will provide our creative talent with the opportunity to develop many new ideas from our strong core of consumer and commercial creativity which exists across both radio and other parts of Bauer in the UK. We are uniquely positioned to use the UK's world leadership in the development of Digital Media as a test bed for creative and operational innovation that can be exported across Bauer internationally.

Regrettably, DAB cannot enlarge the audience or the advertising pool, but with the right initiatives, we are of the view that DAB can be the primary digital replacement for AM and FM. Achieving this will require that DAB is unambiguously confirmed as the platform on which radio's digital future will be built. (It will be complemented for the time being by Freeview DTV and later by wired and wireless IP distribution.)

At present DAB, as a platform, is in a critical, go-no-go position and could yet go either way. There needs be a new 'Big-Initiative' and effective intervention to get consumers to adopt the platform. That initiative & intervention is too big for one commercial operator or even the commercial radio industry to create and sustain. As a result, we have concluded that the BBC has a pivotal role to play in the transition to Drive-to-Digital.

Some of the things that we think must be in that Big-Initiative include:

- Improved DAB coverage. We suggest this is achieved by a combination of additional transmitters, repeaters and use of higher levels of forward error correction (FEC) where this adds significant coverage compared to the bandwidth penalty;
- High quality national content is exclusively available on DAB from a pre-determined date. We suggest BBC Radio 1, Radio 2 and 5Live;
- A concerted industry effort to encourage set/chip manufacturers to develop additional consumer-friendly benefits (we suggest recording & colour screens etc);
- BBC, Government and Commercial Radio co-ordinate marketing to consumers and advertisers.

Digital Britain – Digital Radio – Role of the BBC

Bauer Media read with interest the BBC comments on DAB in their PSB submission[1]. Despite being primarily about TV, the BBC rightly commented on the important public value which digital radio could provide within Digital Britain. We find ourselves agreeing with much of the BBC's analysis and proposals in relation to DAB.

The BBC wrote:

"Radio plays an important role in delivering public purposes in the UK. There are a number of barriers to the take-up and availability of digital radio across the UK, many of which will require significant policy intervention to overcome. Primary among these barriers is the extent of geographic coverage and the cost of building that coverage out to near-FM levels. The geographical coverage issue is particularly important since it is unlikely that car manufacturers will adopt DAB as standard if coverage remains patchy.

Resolving the situation will require considerable investment at a time when radio broadcasters, particularly those in the commercial sector, are under increasing pressure; at a time of falling revenues the costs of simulcasting are unsustainable in the long term. Nor do commercial broadcasters have the financial capacity or commercial imperative to invest in a build-out of coverage beyond the existing 90% of the UK population currently covered by Digital One…."

(Extract of Section 4.2.2 – reproduced in full as Appendix 2)

Bauer Media agree that Radio, including Local Commercial Radio, plays an important role in delivering public purposes and that achieving appropriate coverage for local and national DAB is essential but financially challenging.

We also support the BBC comments on their role in the transition:

"… there are also some areas where the BBC, in particular, can play a pivotal, distinctive role to secure the transition to the digital future.

The BBC is already playing a crucial role in delivering the benefits of the digital opportunity to all audiences through its contribution to digital switchover. We believe that this role – supporting the BBC's sixth purpose of building Digital Britain – is likely to become even more important after 2012. There are two areas in particular where the BBC, in partnership with Government, Ofcom, ISPs and the other PSBs, can help the UK make the most of the digital opportunity:

- *Helping to close the broadband digital divide by bringing audiences online through the use of trusted brands, media literacy initiatives and attractive content*
- ***Securing the future of digital radio and helping to bring its benefits to the whole UK population."***

(Section 4.2 - extract)

Bauer and our colleagues in RadioCentre believe significant public or BBC financial support is required to fund local DAB expansion to achieve switchover. This will accelerate the Digital Britain vision and ensure both BBC and commercial radio can move forward together to serve the public good.

[1] BBC response to Ofcom's Second Public Service Broadcasting Review, Phase 1 – June '08

Bauer Radio Business

Bauer has two separate radio activities;

- 'Big City' - a locally targeted business based around mostly large metropolitan markets in London, the North of England, Scotland and Northern Ireland. Many of these are long established 'heritage' brands. Of our 36 local analogue services, just three are not yet simulcast on DAB. All are carried as IP streams on the Internet
- 'National Brands' – a nationally targeted business based on 7 strong consumer brands leveraged from Bauer consumer magazine brands London Radio brands and mainstream radio formats. (heat radio, Q Radio, Kiss, Magic, Kerrang, The Hits Radio and Smash Hits) The primary platform for Bauer national radio to date has been the Freeview DTV platform, supported by partial UK coverage on DAB using local and regional multiplexes

In addition to being a major radio content provider, Bauer is a DAB Multiplex licensee, with 12 wholly owned licences and having equity investments in 6 other licences under JV agreements with Global and UTV.

Analogue Certainty Required

Within our proposed support for the Drive-to-Digital vision we anticipate that our Big City and National Brands business should play an active part in building and exploiting that vision. The financial viability of our Big City business currently rest heavily on our FM and to a lesser extent AM analogue distribution. Any migration to primarily digital distribution needs to protect that analogue business while audiences transfer to digital platforms over time.

In that regard our ability to commit to Drive-to-Digital needs certainty over our analogue business until switchover is complete. We believe that this could be achieved by a second roll-over of local brands which continue to be simulcast on analogue and DAB. We would be unable to support the Drive-to-Digital if some of our simulcast brands were to risk their AM or FM distribution being withdrawn or face re-advertisement prior to switchover.

At the same time, the position of the well funded BBC needs to be constrained to ensure the corporation does not swamp local markets with new initiatives that prevent the development of new local commercial innovation. This is an essential ingredient to achieve essential certainty in the viability of our local businesses, both during the period of transition and in the more competitive digital environment beyond.

Bauer Big City & Localness

Bauer's interest in the relevance and localness of our Big City brands is intrinsic to the business. Localness is at the core of each of our Big City brands and a primary driver of audiences and commercial success. We are the number one commercial radio station in most of the cities we broadcast to.

We provide significant local news and sport coverage in our major markets. Each Bauer local station routinely gathers and presents its own local news in peak time. This allows our stations to react to local calamities such as the live reporting of major floods in Yorkshire in 2007. Our local on-air talent are stars in the area they broadcast to.

Each station has its own charity "cash for kids" raising money for needy children, all funds raised are distributed locally and this year we will raise £6m. We are currently running our annual toy appeal which last year gave toys to 140,000 children. These are just some of the public value contributions our businesses make to local communities.

In return for our continued commitment to localness in a digital radio world, we propose that the regulator should now move from input to exclusively output regulation of analogue services to more quickly align the conflicting regulatory environments that exist between analogue and DAB services.

For the most part Bauer is content with the currently defined DAB licence areas for our Big City metropolitan radio business. These are consistent with our core local market business model and geographical targeting. (We have identified the relatively small exceptions and current non-DAB areas elsewhere in this paper.)

Bauer Local Content Commitment to Drive-to-Digital

In our Drive-to-Digital vision, we envisage DAB becoming the primary digital platform for our metropolitan local brands.

1. In areas where Bauer is the multiplex licensee, a JV partner licensee or we otherwise expect the relevant DAB multiplex to remain unchanged, we would undertake to continue to simulcast the relevant local Bauer brands on the equivalent local DAB licence areas through switchover. The relevant areas are; London[2], Manchester[3], Liverpool, Preston, Leeds, Sheffield, Hull, Newcastle, Middlesbrough, Glasgow, Edinburgh, Ayr[4], Dundee/Perth, Aberdeen[5], Inverness and Northern Ireland.
2. It is our intention to continue to simulcast the remainder of our analogue brands on third party multiplexes where these continue to broadly target the relevant analogue market. We are aware that some of these multiplexes may be removed, re-structured or amalgamated. We wish to have our current access protected but to retain the right to negotiate mutually acceptable commercial terms with relevant multiplex operators. The brands and areas in this category are: Kerrang (West Midlands), Wave 105 (Hampshire & Bournemouth), Kiss 101 (Severn Estuary), Kiss 105-108 (Norwich, Cambridge & Peterborough)

Continued carriage of these brands on DAB through to switchover is subject to securing the further rollover of the analogue licences as identified above in the section on Analogue Certainty and on securing industry agreement on the funding of the essential expansion of coverage.

[2] The DAB multiplex for London1 is controlled by CE Digital, a Bauer/Global JV
[3] The DAB multiplex for Manchester is controlled by CE Digital, a Bauer/Global JV
[4] The DAB multiplex for Ayr area is controlled by Arqiva
[5] The DAB multiplex for Aberdeen is controlled by UTV

Bauer National Content Commitment to Drive-to-Digital

Bauer currently has 7 national radio brands distributed on Freeview across the UK. Some of these have partial UK coverage on DAB, using Bauer, JV and third-party multiplexes.

We consider that the opportunity for commercial radio to build significant new national revenues is heavily constrained by the mainstream positioning of BBC Radios 1 and 2, the BBC's ability to attract expensive on-air talent and its ability to cross promote its services at no cost.

We aspire within Drive-to-Digital to have one or more of our current national brands carried on Digital One nationally (eg heat radio and/or Q Radio). Such carriage is subject to securing cost-effective carriage on the D1 multiplex. In the past, lack of available capacity on D1 and the cost of such capacity, has been an obstacle to Bauer and others considering carriage; this was what drove Bauer interest in the D2 licence. Anything that can be done to encourage a more realistic pricing policy on D1 will drive interest in carriage of commercial services. We propose that any regulatory obligations that add risk or cost to the operation of D1 should be removed or relaxed to drive down the cost of access.

(We would also propose to include any Bauer-D1 brand on the Bauer Northern Ireland multiplex, alongside Classic FM and talkSport which are already carried in NI.)

Bauer has previously explored a project to establish a dedicated Scottish National programme service to be carried on DAB. We have postponed this project in the light of current market conditions, but intend to revisit it in future. We envisage such a service being carried on current Scottish local DAB services, reaching c 80% of Scottish adults.

We will also consider continued use of local layer multiplexes for carriage of Bauer national brands. We already do so significantly on Bauer owned multiplexes, but would wish to revise and/or expand carriage on the local layer to provide a more consistent consumer proposition for marketing and advertising sales purposes.

Mixed Economy – DAB & FM

We believe there will be a need to retain FM long-term for smaller and thinner commercial markets where a dedicated DAB multiplex is not commercially viable. While DAB is well suited to National and Metropolitan markets, it is less well suited to smaller markets.

- In thin semi-rural markets, the cost of extensive geographical coverage is high, but total audience is low. This is particularly true where, as in UK local radio, DAB spectrum is intensively re-used, requiring a number of medium power transmitters and the telecoms between them, rather than a single, centrally located high power transmitter to provide more cost effective coverage.

- Providing DAB for FM stations targeting small urban markets within larger metropolitan markets presents an equally difficult problem. Consider 'tower fm' in Bolton and 'imagine fm' in Stockport – both are within the Greater Manchester area. The cost of individual multiplexes for each of Bolton and Stockport would be likely to be cost prohibitive even if there was adequate spectrum available.
- For both rural and urban small stations, the market size limits the number of stations that can be supported. This applies equally in analogue and DAB, but in the DAB case, the multi-channel nature of the technology limits its commercial viability in such markets.

We would expect an area by area assessment to be necessary to determine which commercial licences should remain on FM long-term and which should migrate to digital at some point in the future. We do not think there is a simple rule of thumb to determine where the dividing line should be drawn.

Bauer Analogue-Only Services

We remain uncertain about the future economic viability of DAB carriage for the three Bauer services not yet on DAB; 'South West Sound' (Dumfries & South West Scotland), 'Radio Borders' (Scottish Borders and Northumberland) and 'CFM' (Carlisle & West Cumbria). Each of these stations operates in markets of less than 250k adults.

We recognise the importance for the BBC to provide their Nations and Regions services on DAB in these and similar thin semi-rural markets. We suggest a dialogue is established with Regulator/Government/BBC to identify a funding mechanism to make such areas viable for commercial radio operators and the BBC in the run up to switchover.

As part of our wider commitment to Drive-to-Digital and the wish to find an appropriate digital solution, we propose that these stations are provided with rollover of their licences despite not yet having found that digital solution. We would like to explore a mechanism to provide certainty to these and other similarly placed stations while radio in general is in transition to digital.

In-Car

We warmly welcome the recent introduction of European wide profiles to establish standard chipset features that allow inter-usability in all European markets. Whilst we believe this development unlocks part of the block on getting mainstream DAB line-fit and aftermarket fit into vehicles, we believe there is much that still needs to be done to ensure motor manufacturers quickly complete the technical integration of DAB products and offer them as standard fit in all mainstream ranges.

Further work by broadcasters is required to extend and improve coverage of the road network, but the combination of a clear timetable to switchover and the introduction of Euro profiles are significant steps to delivering DAB as standard in-car. With c 20% of UK radio listening being in-car, we would expect Government to support us in finding effective means to encourage early and strong support from motor manufacturers.

Coverage Expansion – Targets and Funding

Bauer recognise that local DAB coverage levels are currently inadequate in most markets to enable effective switchover for all AM and FM listeners. Bauer proposes that the target for improved coverage of local multiplexes should be 'Best-Fit' of the FM coverage of the relevant heritage brand. We recognise that this may not meet the aspirations of all content providers on local multiplexes, in particular the BBC. However expansion of coverage carries significant additional cost.

When considering funding models for DAB coverage and expansion, consideration should be given to different phases of development, through to and beyond switchover. The phases we have considered are;

a) Current DAB coverage levels
This phase is already funded by multiplex operators from multiplex revenues of content providers, but in some areas, continuity of revenue is in doubt when contracts begin to expire from around 2012.

b) Best-Fit to heritage FM in an area; pre-switchover
In this phase there will be a cost of expansion to achieve Best-Fit. In a few cases, eg London, Best-Fit is almost achieved on some measures. However, even in these areas, there will be a need to improve the quality of coverage (the 'Swiss-cheese' holes). Current commercial content providers will not be able to contribute to the costs for expansion during this phase. Commercial operators will either already be facing dual transmission costs or in the case of digital-only services, low set penetration limiting reach and listening hours in the run-up to switchover.

c) Best-Fit to heritage FM in an area; post-switchover
After switchover, dual transmission will come to an end, and commercial operators will be more capable of covering some of the expansion cost to achieve Best-Fit.

d) BBC coverage requirement
Expansion to fully meet BBC local DAB coverage aspirations will never be commercially justified.

The BBC has recognised some of these issues and that it has a significant role to play securing the future of digital radio, helping to bring its benefits to the whole UK population. We believe that BBC funding is an essential part of the Big Initiative and that they have a transition funding role in each phase:

- The BBC continuing to fund the carriage of their nations and regions services on local multiplexes for the long-term
- The BBC funding local Capex and Opex costs of expansion to achieve Best-Fit during phase b)
- Commercial operators beginning to bear a share of local Opex costs associated with expansion when we reach phase c)
- The BBC exclusively funding all Capex and Opex associated with phase d)

This approach allows the BBC to achieve their coverage aspirations more quickly than could be commercially justified and brings forward the date when DAB coverage matches analogue and secures the success of DAB as the primary DAB platform.

Digital Functionality

DAB has the capability to carry enhanced data features. All devices already carry 'DLS' (Scrolling Text). However none of the other enhanced features are widely supported, if at all. Bauer propose that the industry (Commercial Radio, BBC, Arqiva and device manufacturers) commit to broadcast and support an agreed set of enhanced features to an agreed level for a minimum period. This is an essential step to have device manufacturers, notably chipset manufacturers, support these features in a large proportion of mainstream set designs. Such widespread product support is an essential pre-requisite to allow broadcast content providers to exploit such features commercially once a critical mass of such devices are in the hands of consumers.

Bauer proposes that the radio industry commit to the following services;

- Enhanced Text (Intellitext) – allowing devices to store classes of text message for user recall (All recent Pure sets already support this feature)
- Slideshow – to be established initially on an unbranded collaborative basis to provide relevant and engaging colour images for ALL audio channels on each local and national multiplex.
- EPG – A basic level of programme guide. (There is a need to tidy the TLCS Order to minimise regulatory cost.)
- Recording Features would already be standard on a large proportion of current DAB sets if there was not an import duty applied to devices with this feature. Recording features are recognised as a significant consumer driver, but are not implemented solely because of the import duty which would raise the retail price point.

The inclusion of EPG and the Recording feature could allow a basic form of Pod Cast over DAB to be implemented at a relatively early stage.

As part of the support for the on going radio business model and to facilitate new innovation it will be necessary to review options regarding copyright licensing and charging structures currently adopted by music copyright bodies.

Marketing

There is a need for very effective marketing, alongside the Big Initiatives, to encourage fast and widespread consumer adoption of DAB sets. To be effective, the DAB consumer proposition needs to be consistent, simple and built around a combination of strong National & Local brands, with choice and added functionality used to clearly differentiate digital radio from analogue.

There is clear need for consistency of marketing activity and message which can only be achieved if coordinated by a single industry body such as DRDB.

The commercial industry commitment to Drive-to-Digital will naturally place the need for effective on-air marketing of DAB to move to centre-stage in our mainstream marketing and promotional activity.

As mentioned above, we believe the BBC should lead switchover by providing high quality national content exclusively on DAB at an early stage.

At the same time, we also believe the BBC should more than match the funding of marketing activity compared to commercial radio. This reflects the exceptional benefit that the BBC enjoys in relation to premium national radio content which limits the commercial opportunity in national radio.

DAB Legislation & Regulation Changes

We have detailed above the proposed shape of the Bauer Media commitment to Drive-to-Digital. We envisage significant challenges to turn the vision into a reality; we can quantify some of the challenges, but can only speculate about the real cost and timeframes for transition.

Bauer Media believes as part of the Big Initiative, some regulatory and legislative changes will be necessary allow Bauer and Commercial Radio more generally to fully commit to the Drive-to-Digital vision.

1. DAB is unambiguously confirmed as the platform on which radio's digital future will be built
2. Continued certainty of analogue brands simulcast on DAB for the period up to switchover. We propose this could be achieved by enabling a second rollover term where services are carried on DAB.
3. Smaller stations with markets of under 250k adults should be rolled over until appropriate digital solutions can be identified.
4. Ofcom should now move from input to output regulation of analogue services to more quickly align the conflicting regulatory environments that exist between analogue and DAB services.
5. Multiplex licensees are rolled-over a second time to allow investment in transmission and coverage expansion to be recovered over a longer period; a further 24+ years rather than the current 12+ years.
6. Commitments from the BBC;
    a. To restrain its local activity to ensure local markets are not swamped by new BBC initiatives
    b. National channels adhere to their content obligations to the BBC Trust
    c. Further commitment to significantly improve the public service content on BBC Radio1 and Radio2
    d. High quality national content is exclusively available on DAB from a pre-determined date. We suggest BBC Radio 1, Radio 2 and 5Live;
    e. To continuing carriage of Nations and Regions stations on local multiplexes Best-Fit to heritage FM in an area, pre-switchover
    f. To fund the essential coverage expansion of local DAB to FM Best-Fit
7. Find effective means to encourage early and strong support from motor manufacturers

8. Ofcom should have flexible powers to vary the definition of DAB licensed areas, to allow for expansion, contraction, amalgamation or frequency changes where appropriate, including by reasonable request of the multiplex licensee.
9. Revision of multiplex ownership rules to allow more flexible ownership of multiplex licences to avoid the Glasgow/Ayr issue[6].
10. The DAB service ownership scheme (4 services in an area or 55% of points) is reviewed. Bauer has concerns that the 55% rule will be breached if the current regional multiplex licences were to be closed, a move which would be outside our control. Bauer would wish to be assured of the protection of a 'Grandfather' clause, including flexibility to revise brands in such markets, without triggering ownership limits. (This is likely to arise in Central Scotland, the NW, the NE and Yorkshire.)
11. Postponement of the introduction of AIP (Spectrum Tax) being applied to all radio broadcast spectrum to avoid a further regulatory charge arising while the sector will be wrestling with exceptional distribution costs.
12. Removal of the duty on DAB recording devices.
13. Any regulatory obligations that add risk or cost to the operation of D1 should be removed or relaxed and others measures taken to ensure the lowest possible cost of access for commercial services to capacity on D1.
14. Consideration given to the gatekeeper role of the multiplex owner to provide relevant analogue services with guaranteed access to DAB carriage if an appropriate DAB multiplex is available in the area. (Similar in concept to the capacity reservations provided to the BBC.)
15. Revise the TLCS Order to ease provision of radio EPG. (Conditions around Radio and TLCS programme guides have become unnecessarily entwined)
16. In the event that the D2 licence is not 'granted' to 4DG in coming months, the spectrum resource allocated to the licence should continue be available for expansion of UK DAB at the appropriate time.

Bauer is not aware of any proposals for any more substantial change to DAB regulation. We have assumed, in reaching the position outlined in this paper that under Drive-to-Digital, the role of Multiplex Operator and Content Provider would remain largely as at present.

Summary

Despite the significant commercial challenge presented by Drive-to-Digital and the wider Digital Britain public policy initiative, Bauer Media believe we could grow from our core linear analogue radio business to digital platforms. However, to do so, Bauer Radio and the commercial sector more widely, will require close cooperation and support from the BBC and the unique public funding which they enjoy.

Bauer Radio – December 2008

[6] The 70% overlap of Ayr and Glasgow DAB led to Bauer, then Emap, being required to divest ownership of the Ayr multiplex following the Emap acquisition of Scottish Radio Holdings which originally owned the Ayr multiplex licence.

APPENDIX 1

1. About Bauer Media

Bauer Media is a division of the Bauer Publishing Group, Europe's largest private publishing Group, with interests also spanning TV and radio. The Bauer Publishing Group is a worldwide media empire offering over 230 magazines in 15 countries, as well as TV and radio stations.

Bauer Media joined the Bauer Publishing Group in January 2008 following acquisition of Emap plc's consumer and specialist magazines, radio, TV, online and digital businesses. Collectively, the Bauer Publishing Group employs some 8,700 people and had a 2007 turnover of 1.79 billion Euros.

Bauer Media is a multi-platform UK-based media Group consisting of many companies collected around two main divisions – Radio and Magazines - widely recognised and rewarded as being industry innovators.

Our business is built on influential media brands with millions of personal relationships with engaged readers and listeners. Our strategy is to connect audiences with excellent content through our broad multi-touch point brand platforms, wherever and whenever and however they want. Our wide portfolio of influential brands gives us advantages over pure play magazine or radio competitors.

Our magazine heritage stretches back to 1953 with the launch of Angling Times and the acquisition in 1956 of Motor Cycle News, both still iconic brands within our portfolio.

The seeds of the company's radio business were planted in 1990 with the acquisition of London dance station Kiss FM, followed by the acquisition of Radio City, Trans World Radio and the Metro Radio Group. Then came the acquisition of Melody FM which was transformed into the market-leading Magic FM.

In 1996, the company acquired digital music TV channel The Box, as a route into the small screen business, which has grown into a seven channel joint venture TV business with Channel 4.

Today, Bauer Media spans over 80 influential brand names covering a diverse range of interests including heat – the must have weekly celebrity title, Big City Local Radio, Magic FM, Kiss FM, CAR and Yours.

Bauer Media is a UK sister company of H Bauer UK, publisher of the UK's biggest TV listings, Take a Break and Bella.

2a. Bauer Big City Stations - Simulcast on DAB

Multiplex Licensee	Multiplex Area	Bauer Big City Brand	Approx Coverage (m)	Licensed area Size (m)
Arqiva	Ayr	West FM	0.24	0.30
		West Sound	0.24	0.30
Bauer	Central Lancashire	Magic 999	1.09	1.33
		Rock FM	1.09	1.33
	Dundee/Perth	Tay AM	0.36	0.45
		Tay FM	0.36	0.45
	Edinburgh	Forth 2	0.93	1.17
		Forth One	0.93	1.17
	Glasgow	Clyde 1	1.44	1.80
		Clyde 2	1.44	1.80
	Humberside	Magic 1161 AM	0.54	0.67
		Viking FM	0.54	0.67
	Inverness	MFR	0.19	0.24
		MFR AM	0.19	0.24
	Leeds	Magic 828	0.66	1.07
		Radio Aire	0.66	1.07
	Liverpool	City Talk	1.63	1.82
		Magic 1548 AM	1.63	1.82
		Radio City	1.63	1.82
	Northern Ireland	Cool FM	1.05	1.31
		Downtown	1.05	1.31
	South Yorkshire	Hallam FM	1.02	1.25
		Magic AM	1.02	1.25
	Teesside	Magic 1170	0.54	0.67
		TFM	0.54	0.67
	Tyne & Wear	Magic 1152	1.31	1.39
		Metro FM	1.31	1.39
CE	Greater London I	Kiss FM	7.85	9.81
		Magic105	7.85	9.81
	Manchester	Key 103	2.15	2.47
		Manchester Magic 1152	2.15	2.47
Global	Bournemouth	Wave 105 FM	0.37	0.46
	Cambridge	Kiss FM	0.28	0.35
	Norwich	Kiss FM	0.47	0.59
	Peterborough	Kiss FM	0.31	0.39
	South Hampshire	Wave 105 FM	0.87	1.09
MXR	Severn Estuary	Kiss FM	2.03	2.53
	West Midlands	Kerrang! FM WM	3.29	3.36
UTV	Aberdeen	North sound 1	0.28	0.35
		North sound 2	0.28	0.35

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2b. Bauer Big City Stations – Not on DAB

Licensed Area	Station	FM TSA (m)
Carlisle	CFM	
West Cumbria	CFM	
(combined)	CFM	0.24
Scottish Borders & Northumberland	Radio Borders	0.1
Dumfries and Galloway	South West Sound	>0.1

2c. Bauer Big City Stations – Licence Dates

Callsign	Area	Original Launch Date	CURRENT Expiry Date	Secure Expiry Date (to be Confirmed)
Moray Firth	Inverness MFR FM/AM	23 February 1982	22 February 2010	**22 February 2010**
CFM	West Cumbria CFM	30 September 1995	13 April 2009	**13 April 2013**
CFM	Carlisle CFM	14 April 1993	13 April 2009	**13 April 2013**
Northsound 1/2	Aberdeen Northsound AM/FM	27 July 1981	28 July 2013	**28 July 2013**
Aire/Magic	Leeds Aire AM/FM	01 September 1981	31 August 2013	**31 August 2013**
Kiss 101	Severn Estuary Kiss FM	04 September 1994	03 September 2013	**03 September 2013**
West FM/AM	Ayr West FM/AM	16 October 1981	15 October 2009	**15 October 2013**
Kiss	London Kiss FM	01 September 1990	31 December 2013	**31 December 2013**
Magic 105.4	London Magic 105.4 FM	09 July 1990	31 December 2013	**31 December 2013**
Tay FM/AM	Dundee Tay FM/AM	17 October 1980	31 December 2013	**31 December 2013**
Rock/Magic	Preston Rock FM/AM	05 October 1982	04 October 2010	**04 October 2014**
Clyde 1/2	Glasgow Clyde FM/AM	31 December 1973	30 December 2010	**30 December 2014**
Key/Magic	Manchester Piccadilly FM/AM	03 September 1988	01 April 2011	**01 April 2015**
Metro/Magic	Tyne and Wear Metro FM/AM	15 July 1974	14 July 2011	**14 July 2015**
Hallam/Magic	South Yorks Hallam FM/AM	01 October 1974	30 September 2011	**30 September 2015**
City/Magic	Liverpool City FM/AM	21 October 1974	20 October 2011	**20 October 2015**
Cool FM	Belfast FM	07 February 1990	31 December 2015	**31 December 2015**
Downtown AM	Northern Ireland AM-FM Combo	16 March 1976	31 December 2015	**31 December 2015**
Forth 1/2	Edinburgh Forth AM/FM	22 January 1975	31 December 2015	**31 December 2015**
Kerrang	Birmingham Kerrang FM	10 June 2004	09 June 2016	**09 June 2016**
TFM/Magic	Teesside TFM AM/FM	24 June 1975	31 December 2015	**31 December 2016**
Viking/Magic	E Yorks Viking AM/FM	17 April 1984	31 December 2015	**31 December 2016**
Borders	Scottish Borders - Borders FM	22 January 1990	31 December 2016	**31 December 2016**
South West Sound	Dumfries South West Sound FM	21 May 1990	31 December 2016	**31 December 2016**
City Talk	Liverpool Talk FM	28 January 2008	27 January 2020	**27 January 2020**
Kiss 105	E England Kiss FM	22 November 1997	21 November 2020	**21 November 2020**
Wave 105	Solent Wave FM	14 June 1998	13 June 2010	**13 June 2021**

3. Bauer National Brand Stations

Bauer National Brand	Platform	Distribution	Coverage (m)
Heat Radio	DAB	Ayr	0.24
		Birmingham	1.47
		Bradford & Huddersfield	0.67
		Central Lancashire	1.09
		Dundee/Perth	0.36
		Edinburgh	0.93
		Glasgow	1.44
		Greater London I	7.85
		Humberside	0.54
		Inverness	0.19
		Leeds	0.66
		Liverpool	1.63
		Manchester	2.15
		Northern Ireland	1.05
		South Yorkshire	1.02
		Stoke-on-Trent	0.70
		Swansea	0.44
		Teesside	0.54
		Tyne & Wear	1.31
	Freeview	**DTT Mux D**	**37.00**
Kerrang!	DAB	Aberdeen	0.28
		Central Lancashire	1.09
		Central Scotland	2.26
		Greater London II	7.85
		Humberside	0.54
		Leeds	0.66
		Liverpool	1.63
		Manchester	2.15
		South Yorkshire	1.02
		Teesside	0.54
		Tyne & Wear	1.31
		West Midlands	2.69
	Freeview	**DTT Mux D**	**37.00**
Kiss (Digital)	DAB	Central Lancashire	1.09
		Humberside	0.54
		Leeds	0.66
		Liverpool	1.63
		Manchester	2.15
		South Yorkshire	1.02
		Teesside	0.54
		Tyne & Wear	1.31
	DAB	Bournemouth	0.37
		Bristol/Bath	0.66
		Cornwall (Plymouth)	0.33
		Coventry	0.50
		Exeter & Torbay	0.40
		Plymouth (Cornwall)	0.26
		Reading & Basingstoke	0.51
		Southend & Chelmsford	1.03
		Swindon (West Wiltshire)	0.26
		West Wiltshire (Swindon)	0.25

Bauer National Brand	**Platform**	**Distribution**	**Coverage (m)**
		Wolverhampton, Shrewsbury & Telford	0.87
	Freeview	**DTT Mux D**	**37.00**
Magic	DAB	Aberdeen	0.28
		Ayr	0.24
		Birmingham	1.47
		Bradford & Huddersfield	0.67
		Cambridge	0.28
		Dundee/Perth	0.36
		Edinburgh	0.93
		Glasgow	1.44
		Greater London I	7.85
		Kent	0.92
		Northern Ireland	1.05
		Norwich	0.47
		Peterborough	0.31
		Stoke-on-Trent	0.70
		Sussex Coast	0.70
		Swansea	0.44
	Freeview	**DTT Mux D**	**37.00**
Q Radio	DAB	Greater London III	7.19
	Freeview	**DTT Mux D**	**37.00**
Smash Hits	Freeview	DTT Mux A	37.00
The Hits Radio	DAB	Greater London II	7.85
	Freeview	**DTT Mux D**	**37.00**

4. Bauer and Related DAB Multiplex Business

Multiplex Company	Multiplex Licence	Approx Coverage (m)	Licensed Area (m)
Arqiva (Formerly a Bauer Multiplex)	Ayr	0.24	0.30
Bauer Digital Radio	Central Lancashire	1.09	1.33
	Dundee/Perth	0.36	0.45
	Edinburgh	0.93	1.17
	Glasgow	1.44	1.80
	Humberside	0.54	0.67
	Inverness	0.19	0.24
	Leeds	0.66	1.07
	Liverpool	1.63	1.82
	Northern Ireland	1.05	1.31
	South Yorkshire	1.02	1.25
	Teesside	0.54	0.67
	Tyne & Wear	1.31	1.39
CE Digital (50:50 JV between Bauer and Global)	Birmingham	1.47	1.84
	Greater London I	7.85	9.81
	Manchester	2.15	2.47
UTV-Bauer (75:25 JV)	Bradford & Huddersfield	0.67	0.84
	Stoke-on-Trent	0.70	0.88
	Swansea	0.44	0.55

APPENDIX 2 - Extract of BBC PSB Submission – June 2008

BBC response to Ofcom's Second Public Service Broadcasting Review, Phase 1

4.2.2 DAB

Radio plays an important role in delivering public purposes in the UK. There are a number of barriers to the take-up and availability of digital radio across the UK, many of which will require significant policy intervention to overcome. Primary among these barriers is the extent of geographic coverage and the cost of building that coverage out to near-FM levels. The geographical coverage issue is particularly important since it is unlikely that car manufacturers will adopt DAB as standard if coverage remains patchy.

Resolving the situation will require considerable investment at a time when radio broadcasters, particularly those in the commercial sector, are under increasing pressure; at a time of falling revenues the costs of simulcasting are unsustainable in the long term. Nor do commercial broadcasters have the financial capacity or commercial imperative to invest in a build-out of coverage beyond the existing 90% of the UK population currently covered by Digital One.

The BBC multiplex now covers around 86% of the UK population and this will be extended to 90% over the next five years, but geographic coverage is only at 60% and there are particular problems for large areas of Scotland and Wales. If all radio is to have a place in a digital age – including BBC local radio and the Nations stations – and if audiences in those areas are to continue to be able to receive radio as they do now then the issues will have to be resolved. The BBC and its partners have proposed a broad set of measures to support DAB on behalf of the whole industry:

- *Deliver on the BBC's existing commitment to extend coverage of its national multiplex to 90% of the UK population by the end of the first quarter of 2011*
- *Develop a plan to increase the geographic coverage of the BBC's national multiplex to 90% of the UK filling in areas where coverage has 'holes' – achieving this would also deliver near 99% coverage of the UK population*
- *Develop a plan to extend the coverage of Radio Scotland, Wales, Ulster, nan Gàidheal, Cymru and Foyle in their respective Nations*
- *Initiate a strong marketing effort co-ordinated across the industry, including active industry coordination to rebrand digital radio and by developing a national coverage database based on a single planning model made available online to the public (as for DTT / Freeview)*
- *Improving what digital radio offers, on DAB and other digital radio platforms including: wider choice, on-demand listening (e.g. through BBC iPlayer), podcasting, data services and visualised radio.*

These initiatives would carry substantial costs which would have to be agreed – particularly the increase in coverage to 99% of the UK population for the BBC's national DAB multiplex. However, the prize of a long-term sustainable future for digital radio is of great public value. The BBC believes that it can help to secure it on behalf of the industry and the whole UK.