

Digital Radio Working Group

Final Report

December 2008

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Foreword

The Digital Radio Working Group was formed in November 2007. We have worked against a backdrop of a radio sector under pressure. In February, as part of a change to its digital strategy, GCap announced the closure of national DAB stations *theJazz* and *PlanetRock*, although the latter was subsequently sold and remains on air. A few weeks later GCap was sold to Global, making Global Radio the largest UK commercial radio company. In October, Channel 4 decided to abandon its plans to launch three new DAB services because of economic pressures.

The economic downturn has been felt acutely by many in the commercial radio industry, with advertising revenues falling around 15% this year alone. In this context the problem of dual transmission costs, which we described in the interim report, is all the more significant. I find the radio companies' decision to commit to a drive to digital, as set out in this report, a strong testament to their belief in radio's digital future. This is a belief which I believe listeners share.

However, such commitment and belief will not last for very long without the support of government and Ofcom. This report sets out a number of recommendations. We acknowledge that in some cases the proposed changes are controversial and may be difficult to implement, but we do believe they are essential if the radio industry, particularly the commercial sector, is to be enabled to achieve a digital future.

I welcome the timing of the Digital Britain Report and I hope that this report can provide an essential contribution to its work. I have been reminded a number of times this year of the passion people have for radio both amongst broadcasters and listeners. It is difficult to see how such a powerful and important medium can be left behind in a digital world; I hope that the Digital Britain Report can build on the thinking set out in this document and lay out a clear route map for digital radio's future.

Barry Cox
Chair
Digital Radio Working Group

Chapter 1: Introduction

1.1 The Digital Radio Working Group (DRWG) was established in November 2007 by the Secretary of State for Culture, Media and Sport. Its purpose was to bring together senior figures from the radio industry and related stakeholders under an independent Chair, to consider three questions:

- What conditions would need to be achieved before digital platforms could become the predominant means of delivering radio?
- What are the current barriers to the growth of digital radio?
- What are the possible remedies to those barriers?

The DRWG was asked to report its findings to the Secretary of State by the end of 2008.

1.2 In June 2008 this group published an interim report to:

- Outline an agreed vision for the future of radio in the UK;
- Make a number of interim recommendations for government, Ofcom and industry to consider;
- Outline future work; and
- Provide an opportunity for wider debate on the initial findings of the DRWG.

1.3 The purpose of this final report is to build on the vision set out in the interim report, with a view to detailing what steps are necessary to achieve this. There are a number of recommendations raised in the interim report which are not explicitly referred to in this report, these are:

- The government should make a clear statement on the future of digital radio;
- Government should agree a set of criteria and timetable for migration to digital;
- The future radio landscape should at least in the medium term be a mixed ecology with:

- DAB as the primary platform for national, regional and large local stations;
 - FM capacity for small local and community radio stations; and
 - IP delivery to complement the above and provide opportunities for greater interactivity.
- Future receivers should be capable of receiving FM, DAB and the other main variants of the Eureka 147 family.
 - A long term plan should be developed to move all services to digital.
 - The government should conduct a cost benefit analysis of digital migration.

This group remain committed to these principles and this final report should be considered with the above in mind.

Chapter 2: Executive Summary

- 2.1 As the UK and the rest of the world are increasingly embracing digital technology, we believe that the UK must now take advantage of its status as a world leader in digital radio to build a sector which can continue to innovate and grow in an increasingly competitive media landscape. We welcome the government's Digital Britain Report and urge it to look closely at the recommendations set out in this report. We believe the time has come for a collective commitment to realise the true potential of digital radio, through a concerted and coordinated drive to digital.
- 2.2 However, as we set out in our interim report, there are a number of barriers to securing this drive to digital. This report seeks to address those barriers and proposes a number of steps which we believe can help to overcome them. Our proposals are underpinned by two key principles. First, that the radio industry needs to secure a more stable and sustainable economic footing if it is to invest further in DAB. Secondly, the consumer proposition of DAB must be strengthened as soon as possible.
- 2.3 These are difficult economic times and the last year has seen commercial radio's revenues fall significantly. Yet the industry remains clear that it cannot simply 'retreat to an analogue world', but must build a digital future if it is to remain both relevant and sustainable in the future. In exchange for its ongoing and future commitment to DAB we believe the radio industry must have greater certainty and control of its future. Therefore, we propose that the government must relax some of the existing legislative and regulatory burdens placed on the radio industry, which will require parliamentary time, as outlined below and Ofcom should consider how to reduce some of the existing regulatory burdens.
- First, the commercial radio industry must be granted a further renewal of its analogue services which are carried on DAB, and of DAB multiplex licences.
 - Secondly, commercial radio must be given greater freedom to shape its digital future to provide a sustainable future for local radio in a digital world through a relaxation of analogue localness requirements and the ability to merge existing services and create new digital content.
 - Finally, Ofcom needs the flexibility to address structural problems within the current DAB market, such as the ability to merge together multiplexes.

2.4 Within this framework we believe the commercial sector is better placed to build a strong consumer proposition. Alongside the BBC's digital only services, the commercial sector will offer new national stations which can, by virtue of their scale, compete more effectively against the BBC and also cater for a wider variety of tastes and interests than is possible on local services or on the limited number of existing commercial analogue national stations. The sector should also improve the strength and quality of reception within the areas already served by DAB at both a national and local level. The BBC should build out its national multiplex across the UK to reach FM comparable levels. The government should consider funding options to enable this important investment. Finally, working together, the industry needs to provide a clear and coordinated consumer message about the benefits of DAB by greater investment in marketing. It is our view that, taken as a whole, this significant consolidation and strengthening of the national market can provide a strong base for a digital radio future.

2.5 We believe that a successful drive to digital can make a compelling case for a digital migration for radio. Following on from our proposals in the interim report we set out in detail a process by which digital migration could occur. First, we have set out three broad criteria that must be met in order to trigger the digital migration process:

- That at least 50% of total radio listening is to digital platforms;
- That national multiplex coverage will be comparable to FM coverage by time of digital migration;
- That local multiplexes will cover at least 90% of the population and, where practical, all major roads within their licensed areas by the time of digital migration.

Ofcom should monitor progress against these criteria on an ongoing basis and produce regular reports to government.

2.6 Once these conditions have been met, government should announce a date for digital migration, ideally two years after the criteria have been met, at which point all national services would migrate along with the local services which have met the third criterion. Local services whose multiplex does not meet the third criterion at the time of digital migration would do so as soon as that multiplex reaches the threshold.

2.7 In the long-term the aim is to create three tiers of radio in the UK:

- A wide range of national digital radio services from the BBC and commercial radio;
- A sustainable set of local digital radio services from the BBC and commercial radio, covering as many areas of the UK as possible; and
- A tier of small-scale services, on analogue in the short to medium-term, available where there is local demand, some commercial and some community, but all focused on serving their local communities.

- 2.8 All services on AM should be migrated to either DAB or FM and the frequencies should be re-assigned for other purposes.
- 2.9 We believe the criteria above could be met between 2015 and 2020. Therefore including the two years notice period before digital migration, migration could commence as early as 2017.
- 2.10 The Digital Radio Working Group reaffirms its commitment to developing a sustainable and successful digital future for radio, via DAB, that aims to deliver significant benefits to listeners. Its members urge the government and Ofcom to continue to work to secure a long-term digital broadcast platform for radio in the UK.

Chapter 3: Why Digital?

- 3.1 The world is going digital and the pace of change is increasing. Radio is undergoing its own particular transition to digital and one that is very different from the switchover of television.
- 3.2 In the UK, radio listening via a digital radio platform continues to increase year on year. Currently 31.4% of all adults listen every week on digital which gives the digital platforms a total share of all radio listening of 18.7% (Rajar Q3,2008) and current trends suggest this will continue to rise.
- 3.3 Use of the web to access radio and audio content is becoming increasingly common across the world, aided by the increased take-up and roll-out of broadband. In the UK 31.7%¹ of the adult population now claim to have ever listened to the radio via the internet. In France 37% of adults have used the internet to access radio, compared with 34% in Germany and 31% in Italy. Developments in mobile broadband are likely to provide an even greater stimulus for on-line listening.
- 3.4 Germany has plans to launch DAB+ across the country in 2009, while France will launch DMB audio services at around the same time. Other countries around Europe are also considering launching either DMB Audio or DAB+ in the near future, while Australia will launch DAB+ services in early 2009. Both DMB Audio and DAB+ are part of the same family as the DAB standard used in the UK and all three variants will be receivable on sets which manufacturers will be producing from next year, so creating a European-wide market for digital radio
- 3.5 In North America subscription to satellite radio is approaching 20 million. The USA already has 2,100 licensed digital stations, while a further 313 are licensed in Canada. A third satellite is due to launch this year which will provide coverage to Western Europe.
- 3.6 Further afield, Japan has adopted the ISDB-T standard, designed to carry TV and radio services to handheld and portable devices as well as TV sets. Coverage in Japan is already around 84% and 7 million receivers had been

¹ International comparison figures in this Chapter are sourced from Ofcom's 'The International Communications Market 2008' report.

sold by the end of 2007. DRM has been trialled in Switzerland, Russia and China.

Why does the UK need a broadcast-specific platform for radio?

- 3.7 In this group's interim report we set out in detail why we believe that DAB is the most appropriate replacement for analogue radio in the UK. We do not intend to re-visit this issue as we have been presented with no convincing evidence to the contrary. Indeed DAB take-up and listening have continued to grow, over 2 million² DAB sets had been sold this year and DAB now accounts for over 11% of total listening (Rajar, Q3 2008).
- 3.8 However, there is clearly a more fundamental question, as to whether a bespoke digital replacement is needed for analogue at all. The growth of broadband and mobile internet across the UK continues to extend access to the web. By 2012 nearly every household in the country will have access to digital television of some type. Both of these technologies offer access to digital radio services. The obvious question which follows is "Why pursue DAB, given there are so many other ways to access radio?"
- 3.9 We believe there are a number of reasons why a radio-specific broadcast platform is an essential part of radio's future. Radio is an important part of the national discourse and perhaps an even more important voice in local democracy. These principles are the bedrock of radio in the UK and we believe they are something which citizens not only value, but expect.
- 3.10 DAB, unlike both DTT and the internet, is the most effective and financially viable way of delivering digital radio, particularly large local radio services, for the foreseeable future. Importantly listeners have come to expect that radio is a medium which is free at the point of consumption. At this time, to limit access to radio only to those who can, or will, subscribe to an internet service provider would not be in the interests of listeners. We strongly believe that in order for radio to preserve the qualities which make it such a valued part of our everyday lives, and to allow it to build a strong future, it must have a space where it can be the master of its own destiny and have the freedom to take risks.
- 3.11 A digital platform frees radio, to a significant extent, from the spectrum constraints of an analogue world, where there is capacity for only five national FM radio services (currently four from the BBC and one commercial), to offer greater choice and variety for consumers and allow for greater competition and innovation. Stations such as *Planet Rock*, *Jazz FM*, *Gaydar* or *Passion for the Planet* would never have been possible under the current analogue constraints.

² Source: GFK

- 3.12 Such a platform also provides the radio industry with the opportunity to offer listeners benefits not available on other platforms - ease of tuning, an electronic programme guide, the ability to pause and rewind live radio, and text services supporting the audio output – in a manner suited to the ways in which radio is listened to by most people; on portable and mobile devices.
- 3.13 Building a communications industry which has the potential to be a new and powerful driver of economic wealth is a key feature of the Digital Britain Report. The UK is already a world leader in digital radio and specifically in broadcast technologies. The leading chip and receiver manufacturers are predominately UK-based. In the last year exports from these companies have grown substantially and adoption of the agreed European standard receiver profile, alongside the launch of new digital services in France and Germany next year, will mean greater opportunities for these UK companies.
- 3.14 For the reasons set out above, we urge the government to adopt the vision for a digital radio future we set out in this report, and to act on the recommendations we make. Broadcasters, manufacturers and transmission providers all renew their commitment to DAB and urge the government and Ofcom to put in place the conditions to secure the future of a digital broadcast platform for radio in the UK.

Chapter 4: The Drive to Digital

- 4.1 If DAB is to play a central role in the future of radio we must take further action to achieve its full potential. We must present a compelling proposition for consumers not only through new content, but in building a whole new radio experience. Broadcasters should be given the freedom to take risks, both creatively and financially, while at the same time realising the commercial benefits of generally lower transmission costs and a lighter touch regulatory regime. In short, the radio industry, and the related industries, must now commit to a drive to digital.
- 4.2 In our interim report we set out in detail a number of barriers to the success of digital. Since that report was published, we have focused on identifying a number of key initiatives and interventions which we believe, when taken together, can overcome many of these barriers and support the drive to digital.
- 4.3 One of the largest barriers to the growth of DAB is that take-up of receivers, whilst growing significantly, is still too low to allow sufficient numbers of commercial providers to view DAB as commercially viable. In order to build DAB, and quickly, we must find some short-term measures to drive take-up dramatically. We acknowledge that change for change's sake is not a great driver for consumers. Therefore, we must seek to focus on the strengths of DAB.
- 4.4 National listening has always represented a significant percentage of listening; on analogue it accounts for 56% (Rajar, Q3 2008) of total listening, and national digital stations account for 60% (Rajar, Q3 2008) of total digital listening. We believe that focusing now on building a strong national offering can provide a catalyst to the take-up of DAB by listeners.
- 4.5 At a national level DAB offers commercial radio the opportunity for new services - both mainstream services which can have the scale and resources to compete effectively against the BBC, and more specialist services catering for a diversity of tastes and interests not already catered for, such as classic rock or jazz, or particular communities such as the Asian, Christian or gay communities (although these are only examples, and this report makes no attempt to prescribe what those services should be).
- 4.6 The BBC has already demonstrated the value of new national digital content its five digital-only services have proved a significant driver of DAB take-up. We believe we must now build on this success, so propose that the BBC

should now commit to building out its national DAB coverage, both in terms of geographical spread and robustness of signal in served areas. At the same time they must do more to drive listeners to digital through new or high-value content - we note the impact on DAB sales of the 2005 Ashes being broadcast on the digital-only station BBC FiveLive Sports Extra.

- 4.7 We all recognise the financial pressures on the current national commercial multiplex, however a way must be found to drive the national commercial DAB market. We believe that a key principle to facilitating demand for national capacity by commercial stations is to reduce carriage costs, which comprise the cost of transmission and the fees to the multiplex operator, at least in the short to medium term. At the same time it is important that the robustness of the coverage, in those areas of the country already technically covered by its transmitters, of the national commercial multiplex is improved as quickly as possible. Such action will require significant investment and we recognise the need for both short-term and long-term support for such investment. In the short-term we believe the government should consider options for funding to support the reduction of carriage costs. Ofcom should also consider removing the specific requirement for a marketing budget in the national commercial multiplex licence. To provide longer term security the government should pass new legislation to allow the roll-over of the national multiplex licence until 2030. In addition, Ofcom should consider delaying the implementation of AIP³ on DAB multiplexes until after digital migration.
- 4.8 Alongside a stronger national DAB proposition all the related industries will commit to a greater investment in marketing DAB. This Christmas, for the first time, the BBC and commercial radio are broadcasting the same promotional campaign for digital radio (DAB). Such initiatives must continue and expand to ensure that digital radio's share of voice is maintained and a consistent message is relayed to consumers regarding its benefits and availability. Future options under consideration include:
- Consistent access messaging for stations, e.g. "Available on digital radio, digital TV and online";
 - New campaigns to target specific areas of listening, e.g. a "Wake up with digital radio" breakfast promotion for purchasing and listening to digital clock radios;
 - Working with other digital platform marketing bodies, e.g. Freeview, to specifically to promote radio station availability;
 - Sharing of consumer research to enable joint marketing planning, through a combined BBC/commercial radio marketing group under the umbrella of the Digital Radio Development Bureau (DRDB); and
 - Possibly a new industry wide brand identity for digital radio, to incorporate DAB and other digital radio technologies.

³ 'Administered Incentive Pricing' is an annual fee levied on the holders of spectrum.

- 4.9 Whilst a strong national proposition is a key component in driving take-up we also acknowledge that a DAB market that does not support and strengthen the local radio market will never satisfy listeners' needs in the long-term. As we suggested in our interim report, the economics of local DAB radio are challenging, the combination of expensive infrastructure, low demand for capacity in some markets and little economic return from DAB services has stifled the market to date. However, the radio industry remains committed to finding a DAB future for those local services which account for the vast majority of listening and we propose the following.
- 4.10 We believe first and foremost that we must address the problems of the local commercial multiplexes. Over the last few months we have heard a variety of views on the sustainability of local multiplexes and, in truth, there is no single answer. We accept that in some areas of the country there is an excess of capacity compared to the number of services. In such cases the spare capacity represents a significant financial burden on licence holders. One solution to this problem would be to allow local multiplexes, where there is excess capacity, to merge with an adjoining multiplex to create a larger and more sustainable structure. We do not believe it is for this group to determine where such mergers would be appropriate; however we urge the government to introduce new legislation to give Ofcom the power to allow such mergers or reconfiguration of areas where the relevant licence holders deem it appropriate and where Ofcom deem it to be in the public interest.
- 4.11 Secondly, we believe that action is needed to improve the quality and robustness of the existing local multiplexes' coverage. We recognise that such a request has significant financial implications for multiplex operators and therefore we suggest that the proposed multiplex licence extension and possible AIP relief set out in section 4.7 should also apply to local multiplex licences.
- 4.12 Our interim report set out the inherent problem for the BBC continuing to broadcast its local services on the commercial multiplexes; the BBC wishes to provide universal coverage for its local services within their editorial areas, while commercial operators will only want to build-out coverage to areas which are commercially viable. At the time we stated that, at least for the foreseeable future, the BBC should retain some FM frequencies to broadcast its local services into areas which the commercial multiplexes would not, on purely economic grounds, extend coverage. In light of further consideration, the group believes strongly that there are public policy grounds for rolling out all local DAB signals to match the BBC's existing FM coverage. This view was supported by both the Scottish and Welsh Ministers when members of the DRWG met with them. We recommend that government consider this issue urgently and that the question of funding should be high on its agenda.
- 4.13 For those local stations which have adopted DAB and invested in their digital future, we believe that they must be given the confidence to continue their commitment. We recommend that government should pass new legislation to extend the licence terms of all analogue services, both national and local, which are broadcast on DAB. This extension should be until digital migration is achieved. The group notes that some members felt strongly that the

licence extension should apply to all analogue services, not just those on DAB.

- 4.14 We recognise that while in the past the link between digital and analogue licences provided a valuable incentive for stations to invest in DAB, it is now seen as a cumbersome device which may be restricting the sector's flexibility to adapt to changing circumstances. We think this is true and propose that, in constructing the terms of the new licence renewals, flexibility should be given to allow existing local analogue licences, within defined geographic areas, to merge together to form a single station on both analogue and DAB platforms and for existing regional services to be allowed to drop local programming requirements to form new national DAB stations.
- 4.15 The current regulatory arrangement to secure 'localness' have played an important role in securing what successive governments have believed listeners want from local radio. So, while we do not believe it would be appropriate for all local services to be produced in a single central location, a model which focuses so heavily on where content is made may not be the best way to deliver either what listeners will most want in the future or allow the industry space to grow. We therefore recommend that the commercial radio sector, Ofcom and government should look closely at the current localness regime in the coming months, while ensuring that any outcome serves the needs of listeners as both citizens and consumers.
- 4.16 In addition to new content, we also believe that greater focus must now be given to realising the potential for new functionality. The radio industry is committed to exploring new and innovative uses for DAB and will work across both the BBC and commercial sector to consider how and when these can be implemented.
- 4.17 This group also believes that the government must consider the case for a duty exemption for digital radios. Currently all digital radio sets with additional functionality such as pause and rewind are subject to an import duty. The impact of this is to increase the cost to consumers at a time when the market as a whole is seeking to drive digital through its new features. A short-term 'duty holiday' on all digital radio, for the next three years, could go a long way to enable new functionality and cheaper sets. However we recognise that (a) duties are raised only on sets imported from outside the EU and (b) the level of import duties are set by the EU and not the UK. We recommend that government should also consider holding VAT at 15% for DAB receivers beyond the current 13 month period for VAT reductions.
- 4.20 The final component, and one of the most important of our proposed drive to digital, is to recognise the significant role of in-car listening. We must all now give specific focus to encouraging motorists to adopt DAB. The steps we have already proposed will, we believe, will go a long way to securing an attractive consumer proposition for DAB in cars. However, the radio industry recognises the need to identifying specific functions and services which will provide a catalyst for take-up in cars.

- 4.21 We welcome the agreement this year to a set of European-wide digital radio receiver profiles and urge the government and Ofcom to engage directly with European policy makers to ensure the profiles are fully adopted.

Chapter 5: Digital Migration

- 5.1 We are now clear about where we want to get to and how we want to get there. As we set out in the interim report, we believe there is a case, under the right conditions, to migrate the majority of services from analogue to digital-only. The foremost question is then one of timing. How to determine when the conditions are right or when a 'tipping point' has been reached?
- 5.2 In the interim report we set out our recommendations of how this 'tipping point' should be assessed. We remain committed to a process which takes account of both the take-up of digital radio by listeners and the coverage of DAB services compared to FM. However, following the interim report we have re-considered the specifics of the proposed digital migration criteria and now set out our final recommendations.

Listening Criteria

- 5.3 In the interim report we suggested that in setting the criteria for digital migration, the government should take account only of listening to DAB-enabled devices; the rationale being it would assess how far DAB had replaced analogue as the preferred platform for listening. However, having considered this further we now believe it is not necessary to place such an emphasis on DAB.
- 5.4 The internet, and perhaps to a lesser extent DTT and satellite, will have a key role in delivering radio in the future. With this in mind, we propose that the criteria for digital migration should reflect the extent to which listeners are moving to digital listening, as a whole, rather than analogue, irrespective of platform. We believe it is reasonable to expect listeners currently consuming radio via the internet, for example, to continue to do so after migration. Therefore, we have amended our proposed criteria to assess the total amount of radio listening on digital platforms rather than just DAB.
- 5.5 We note that the consumer sub-group raised concerns about setting the criterion for the level of digital listening at 50% of total listening, as was proposed in the interim report. The view of the consumer group was that such a level would disproportionately affect disadvantaged groups who are less likely to be represented in the first 50% to take up digital radio. It is clearly not our intention to suggest a mechanism which disproportionately affects any single group, however the intention of the criterion is to assess when the market as a whole is ready for digital migration. For this reason we still believe that 50% of total listening represents an appropriate 'tipping

point'. Further thoughts on how government should assess and address the possibly disproportionate effect of digital migration are set out in the following chapter.

5.6 We therefore recommend the listening element of the migration criteria to be as follows:

- That at least 50% of total radio listening is to digital platforms.

5.7 The interim report recommended that government should take account of the take-up of digital radio in cars. We believe this is important in assessing the percentage of listeners who might not have access to radio post migration. We propose further work is needed to define how listening should be measured to ensure that it takes account of all types of listening, in particular in-car listening.

Coverage Criteria

5.8 In addition to the listening criteria the interim report referred to an assessment of current and planned coverage of DAB. Lack of coverage is a major barrier to the future growth of DAB and it is a barrier which is neither easy nor cheap to overcome. The DRWG has conducted extensive work in assessing the current coverage of both FM and DAB, as well as what may be needed to improve coverage.

5.9 For the purposes of this chapter we are focusing on coverage in the context of determining the right level of coverage for digital migration, in particular the requirement to balance the needs and expectations of consumers with the practicality and cost for broadcasters.

5.10 This group recognises that the BBC has a duty to provide its services to the maximum number of licence fee payers; in effect it has a duty to provide for universality. At a national level we interpret this to mean it must, at the very least, ensure its existing UK-wide and Nations services (*Radio Scotland, Radio Wales, Radio Cymru, Radio nan Gaidheal and Radio Ulster*) match existing FM population and geographic coverage by the time of migration. As the BBC's new digital services are carried on the BBC's own multiplex, they too would benefit from universal coverage.

5.11 The commercially-viable coverage of the commercial national and local multiplexes is more difficult to specify. However, as a first principle we do believe that listeners will at the very least expect to receive the national commercial services they receive on analogue. We believe that the population coverage of the existing independent national radio station on FM, whether it is the existing (*ClassicFM*) service or not, should be replicated by the relevant DAB multiplex. At a local level we believe that listeners who currently have access to FM should, where possible, continue to have access to commercial and/or community services, either through the DAB platform or on FM.

- 5.12 When assessing the correct levels of coverage to trigger digital migration we recommend that government consider both the population and geographic area covered. When considering the geographic coverage we believe the assessment should be made against the percentage of major roads currently, and planned to be, covered by the time of migration; with major roads defined as motorways, primary routes and A roads.
- 5.13 We therefore recommend that the government adopt the following criteria to ensure that the vast majority of listeners continue to have access to radio:
- That national multiplex coverage will be comparable to FM coverage by the time of digital migration;
 - That local multiplexes will cover at least 90% of the population and, where practicable, all major roads within their licensed areas by the time of digital migration.
- 5.14 We propose that Ofcom should monitor progress against these criteria on an ongoing basis and provide a report to government at least every two years.

Digital Migration Process

- 5.15 Once government is satisfied that the criteria have been met it should set a migration date, which should be no less than two years in the future. On this migration date all national stations should migrate to digital. Local services would, as a rule, also migrate on this day, but only after an assessment of the local market has been made. This should include an assessment of the coverage of the relevant local multiplex and the take-up of digital radio in that area. We believe this approach has the advantage of setting a single migration date for the vast majority of services carried on DAB, so providing a focus for consumers and manufacturers. At the same time, it is flexible enough to ensure individual local markets are not forced to migrate until they are ready.
- 5.16 To achieve this migration plan would require a common end-date for all analogue licences. Therefore, we propose that all new or renewed licences should include a two-year termination clause in all new licences, a clause which would be triggered by government's announcement of the timetable. Of course the BBC would separately need to commit to the digital migration schedule.
- 5.17 Our interim report suggested that a third-tier of small scale commercial and community radio would remain on FM. In our stakeholder meeting we were rightly questioned on what size stations we envisage will stay on FM. We recognise that this issue needs further consideration by government, Ofcom and the radio industry to ensure that the right balance is struck between those stations which fall into the large-local DAB tier of services and those which fall into the small-scale tier of services which remain on FM.

- 5.18 Those services which are remaining on FM would not be affected by the termination date proposed in section 5.15, although if the FM spectrum is re-organised they may need to re-apply for their licences. All services on MW (AM) would have their licences terminated and consideration needs to be given to how to facilitate migration of current ultra-local services to FM.
- 5.19 The interim report stated our view that the digital migration criteria could be met between 2015 and 2020. Having considered further market data on projected take-up we still believe that digital migration could occur from as early as 2017; chapter 7 sets out a timetable for achieving this.

Chapter 6: Consumer Issues

- 6.1 A major part of the consultation for this paper has come from work done by a number of organisations on the consumer sub-group. The group highlighted a number of the key issues that would face consumers as part of the drive to digital and discussion of these issues has led to the following recommendations.
- 6.2 In order for digital migration to digital to be seen as legitimate there must be a strong consumer proposition as to digital's inherent benefits over analogue. Part of this will be down to a robust marketing strategy increasing the awareness of digital radio, how it can be accessed and its benefits for the consumer. However, it must also go a stage further and involve the active development of technological features that make the digital radio proposition as strong as possible. In this context, the RNIB research findings and design recommendations on accessibility and usability of digital radio for blind and partially sighted people should be considered by manufacturers when designing sets and by the government when deciding on the shape of a help scheme.
- 6.3 Manufacturers and retailers have a crucial role to play in providing consumers with clear, impartial information and steps should be taken to ensure this happens to a minimum standard. Aligned to the consumer messaging a labelling and quality assurance scheme should be established, along the lines of a Kitemark, to build consumer knowledge, awareness and confidence. This scheme should cover whether the device will work after migration to digital, whether it meets basic levels of usability and accessibility and the extent to which it is 'future-proofed' against technological developments. Further work on options, funding, etc. will be needed and should be considered by any new stakeholder group emerging from the DRWG, possibly led by the DRDB and any new stakeholder group emerging from this work. To maximise its impact and consumer benefit, such a scheme should be implemented sooner rather than later. Further work covering options for the scheme and sources of funding will be needed and should be considered by a new stakeholder group emerging from the DRWG. Representation of a wide range of consumer groups in further decision-making about the issues raised in this chapter is crucial.
- 6.4 We note that many of the consumer groups believe that once an announcement is made, no equipment should be sold that does not deliver both DAB and FM. In the absence of this it is important that consumers can easily identify radios which will deliver both.

- 6.5 For those who require assistance above and beyond that offered by promotional messaging or quality assurance scheme, a help scheme should be introduced. Specifically, there should be some level of practical assistance where some groups of consumers would face a disproportionate burden from the complexity of buying equipment, installing it, learning how to use it and from the limitations in its usability and accessibility. Any help scheme must also consider the nature of the help it is providing: for some people the provision of DAB receivers that are usable and accessible would be enough, but for others help in learning how to use the sets and any new functions, plus ongoing assistance, would be essential.
- 6.6 Before the criteria set out in this report can be met, there needs to be detailed research undertaken as to the extent of ownership and usage of analogue and digital radio particularly amongst disabled people, older people, people whose first language is not English and consumers from lower socio-economic groups. This research is vital in ensuring that take-up of digital radio can extend across the population and that no particular population groups are excluded because of costs or other reasons. In addition, the research findings should inform the plans to protect the consumer interest - i.e. the plans for a help scheme, for effective labelling, for information and education campaigns and for the development of easy-to-use products.
- 6.7 With regard to the environmental impact of a possible digital migration, the aim for device manufacturers should be for DAB units to consume the same or less energy than analogue radios with comparable functionality, as is already the case in some devices. In addition, many consumers will be interested in the environmental impact of the disposal of analogue units, and this should be analysed in more detail.

Chapter 7: Aspirational Timetable

- 7.1 The following timetable is aspirational and should not be taken to be the definitive process by which digital migration should take place. It should, however, act as a useful guide for those working towards digital migration in the coming months and years.

Early 2009	Government to accept DRWG recommendations and publicly signal digital migration process. New stakeholder group set up to manage initial migration issues - including defining listening criteria.
By End of 2009	Government to have implemented changes to legislation set out above
By Christmas 2009	A full complement of national DAB services to be on-air, and significant improvements in coverage areas and robustness of signal to have been achieved. Launch of strong co-ordinated marketing campaign in advance of Christmas sales period.
Early 2010	Agreed plan to improve and increase coverage of local multiplexes, including, where appropriate, merging or re-configuring of multiplexes.
By Mid 2010	A digital radio labelling and quality assurance scheme to be developed.
Mid 2010	Ofcom to produce first report to government setting out progress against digital migration criteria.
End 2010	The research outlined in chapter six to be undertaken. Immediately following this research, planning should begin for a help scheme, for information and education campaigns and for the development of easy-to-use products.
End 2010	DAB sales to exceed sales of analogue radios

2014	<u>All</u> new cars to be fitted with digital radios
2015 (approx)	Migration criteria met; government announces date for digital migration.
2017 (approx)	Migration of all national services to DAB, alongside all local services on multiplexes which meet criteria.

Chapter 8: Next Steps

- 8.1 We welcome the timing of the government's Digital Britain Report and we urge the government to look closely at the full range of recommendations set out in this review. We believe the time is right for government to set out a bold vision for radio which can secure it a strong future and ensure it remains relevant to its listeners.
- 8.2 We also encourage Ofcom to consider the recommended changes to the current regulatory regimes and to begin the necessary dialogue with interested parties to ensure these can be agreed as quickly as possible.
- 8.3 However, the drive to digital cannot, and should not, be driven by government and Ofcom alone. It is crucial that all those who were involved in the formulation of this report continue their commitment to delivering a digital future for radio that is both viable for the radio industry and beneficial for consumers. Only through collective action across all stakeholders will the recommendations in this report become embedded and have real success. We therefore recommend that a new independent stakeholder group that includes a balanced representation of all interested parties should be set up to build on this report. This group should specifically examine the key industry and consumer issues identified in this report, beginning with, and under the Chairmanship of the DRDB, the exact scope of the three digital migration criteria and how to drive take-up of DAB, particularly in cars.
- 8.4 In the longer term, there are a number of actions and outstanding questions in this report that will take time to resolve. The timescales involved in migration to digital are long, potentially 9-12 years until migration happens. However, this should not be seen as a reason for complacency, on the contrary, sustained action led by senior figures in each organisation is needed now to secure the ability of the radio industry transmission providers and manufacturers to invest in its digital future, and to provide the most compelling offer to listeners.