

### **Radio – Licensing Policy for VHF Band III, Sub-band 3.**

*In light of the further evidence presented in this document, Ofcom proposes to allocate three blocks of spectrum in VHF Band III, sub-band 3 for local radio multiplexes under the licensing process set out in the Broadcasting Act 1996, with the aim of covering geographical areas that do not presently have local radio multiplexes. Ofcom also proposes to allocate one block of spectrum in the same sub-band for a national radio multiplex under the licensing process set out in the Broadcasting Act 1996. Do you agree that these proposals represent the optimal use of the spectrum?*

Virgin Radio is supportive of the broad licensing proposals set out by Ofcom in the consultation document published on 19 October 2005.

We believe that Ofcom has balanced the needs of listeners and the majority of commercial radio companies. The proposals reflect much of our own thinking as set out in our response to the Phase 1 consultation, submitted in March 2005. We support the concept that the majority of new spectrum is used to provide local DAB digital radio multiplexes in areas of the UK that currently have no such opportunity. This will enable the vast majority of listeners to hear the vast majority of existing local analogue commercial and all BBC local radio services.

We are particularly pleased that Ofcom has accepted that there is scope and a desire for a significantly increased choice of DAB services at a national level. Increased consumer choice is a key driver of overall digital radio take-up and commercial radio has shown a capacity for developing innovative and highly targeted new services. Virgin Radio has invested considerably in new national digital radio services, such as Virgin Classic Rock, Virgin Radio Xtreme and Virgin Radio Groove, which are all available via a range of platforms but, currently, have no national DAB opportunity. Ofcom's proposals give us a welcome route to national mobile reception for these services, which is a crucial part of developing them. If DAB is to keep up with DTT, DVB-H and other developing technologies, then a second national multiplex is a necessity to provide capacity opportunities not just for our own services, but also for the large number of audio services available on these other platforms. Our experience is that consumers expect their favourite station to be available on every platform and Ofcom's licensing policy must reflect the fact that radio services are no longer delivered via exclusive and protected analogue broadcast licences, but via a large and complex range of competing and complementary delivery platforms. Indeed, we encourage Ofcom to take a pro-active stance on securing UK rights for as much band 3 spectrum as possible in its future international spectrum negotiations. Further capacity may enable a third national DAB digital radio multiplex, for which we believe there would be further significant demand for capacity from service providers.

Virgin Radio is pleased that Ofcom has accepted the predominant Industry view that the second national multiplex should be advertised as a Broadcasting Act licence. This is an important element in encouraging UK commercial radio companies to continue to invest in DAB digital radio. Virgin Radio was among the first UK radio stations to invest in DAB, and we have shareholdings in two of the three London DAB digital multiplexes. The company welcomes additional opportunities to invest in and develop the DAB digital radio platform.

Finally, an area we believe requires further discussion is Ofcom's stated intention to look at the "broadening of choice" qualities with regards applications for the second national multiplex. We understand Ofcom's statutory duties but, given the evidence that DAB digital radio multiplexes have constantly evolving/changing channel line-ups, we believe that Ofcom's duties would be best met through ensuring that there are a range of services available, provided by a range of operators, regardless of the formats. We believe that Ofcom should leave it to the multiplex applicant to propose what services it plans to offer, based on the market conditions at the time of application and the applicant's evidence in support of its proposals. In the light of the market failure of two of the original national DAB digital radio services, the proposed services offered on the new platform must be both attractive enough to further drive the uptake of digital radio, and viable enough so that the service providers can afford to maintain them.