

**RESPONSE TO**  
**PROFESSOR CAVE'S REVIEW OF SPECTRUM MANAGEMENT**  
**BY**  
**CHRYSALIS RADIO**

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1. Chrysalis Radio is the UK's fourth largest commercial radio broadcaster. We wholly own and operate a number of FM radio stations, across regional or metropolitan areas, under the 'Heart' and 'Galaxy' brands. In addition, we are the lead shareholder in the MXR consortium, which is the major regional digital radio broadcaster in the UK. Additionally, through our Chrysalis Radio Investments fund we invest in small-scale commercial radio stations, primarily operating on FM at a transmission power of 100W. We have restricted our comments on Professor Cave's report to those sections that relate to radio and commercial radio in particular.

2. Chapter 11 of Professor Cave's report, on 'Broadcasting', is primarily concerned with television, and the report displays little interest, or understanding, of sound broadcasting ('radio'). In particular, although Professor Cave details (pp.172-3) the commercial radio licensing process, he appears elsewhere not fully to understand this process, nor its implications for frequency management and allocation.

3. Professor Cave appears to believe that commercial broadcasters are responsible for the management of the spectrum allocated to them. This is not the case. Frequency planning and allocation for commercial radio is entirely in the hands of the Radio Authority, working in conjunction with the Radiocommunications Agency through the 'peer review' process described in section 11.10 of the Report. It is the Radio Authority, not the broadcaster, who determines the frequency and power level to be used by any licensed radio service. The only input that the broadcaster has into this process is in the selection of transmitter site, but even this is limited by constraints established by the Authority for the specific purpose of maximising the efficiency of spectrum allocation. Consequently, it is futile of Professor Cave to suggest that incentives can be put into place to encourage broadcasters to make more efficient use of spectrum, as changes to spectrum use are not within our power.

4. There also appears to be a fundamental misunderstanding in the Cave Report of the 'public service' nature of broadcasting. All broadcasters, BBC and commercial, have 'public service' goals. In commercial radio, these are expressed in the licences and codes issued by the Radio Authority, within statutory guidelines. For local commercial radio stations, our public service obligations include the provision of locally relevant material and the requirement to conform to a specific programme format, determined at the time of licence award. The Authority is required by law to ensure that radio listeners benefit from radio provision that is both diverse and of high quality. These requirements (and the different obligations placed on the BBC in its Charter) are not, as Professor Cave seems to think, minimum requirements that can be quantified and therefore quickly satisfied and exceeded. 'Public service' goals are core to the nature and character of the services provided. There is no aspect of our services that does not relate to achievement of these goals and, consequently, no surplus or wasted spectrum. Professor Cave's suggestion that broadcasters have surplus spectrum to make available "once they have met their public service broadcasting commitments" wholly misunderstands this process.

5. We further question what public interest is served by Professor Cave's suggestion (section 11.15) that broadcasters might better use their frequencies overnight for commercial datacasting rather than broadcasting their own programme services. Whilst this may be regarded as spectrally more efficient (because it allows access to a frequency for two users rather than one), and it would certainly benefit some broadcasters in revenue terms, it would constitute abandoning those who either prefer to listen to the radio overnight or those whose work patterns make them unable to listen during the daytime. Radio's overnight audience is substantial: recent RAJAR figures show that almost 11.3 million adults – nearly one-quarter of the population – listens to the radio each week between the hours of midnight and 6.00am.

6. We welcome Professor Cave's call for broadcasting to migrate from analogue to digital (albeit that the Report refers only to digital television in this respect). As a leading player in digital radio in the UK, we would urge the government to put as much effort into the promotion of digital radio as it has into digital television. Whereas the government's commitment to an analogue switch-off date for television has, arguably, acted as a driver for digital TV up-take by consumers, no such incentive has been provided for radio. Moreover, there is presently insufficient spectrum available for digital radio to allow for the migration of all existing analogue radio services. Clearly, the migration of analogue radio to digital will allow for the freeing-up of the existing analogue wavebands (long-wave, medium-wave and VHF FM) for other purposes. Professor Cave is mistaken in thinking that broadcasters need incentives to migrate to digital (11.31). We do not. Indeed, both the BBC and commercial radio have already invested heavily in securing carriage on digital radio for our existing analogue services. In doing so, we also bear the additional costs involved in transmitting identical services on both digital and analogue radio. This is a clear inefficiency in spectrum usage, which can be eliminated only by the government making a commitment to switching off analogue radio. It is consumers who need incentives for digital take-up and, by extension, the government which needs an incentive to create the conditions to drive that take-up.

7. We also welcome Professor Cave's call for the more efficient use of radio spectrum in the broadcasting bands. Broadcasters do not need reminding of the opportunity cost of the misallocation of spectrum, as it is a cost that we ourselves already bear. As the Report points out (11.17), more efficient spectrum usage would free up frequencies for additional radio stations to be launched. Clearly, therefore, the ability of the radio industry to launch additional services is limited by frequency availability. We would particularly welcome a review of the BBC's usage of spectrum as we believe the Corporation to be grossly wasteful of spectrum in order to meet its unrealistically ambitious levels of 'universal coverage'. We would be happy to consider "more spectrally efficient transmission systems" (11.14) but we are unaware of any technology currently available that delivers this. We also have no objection in principle to the adoption of "a more relaxed approach ... to planning standards" as long as this approach does not compromise our ability to achieve our current coverage areas and reach all those listeners who presently enjoy our stations.

8. Professor Cave's desire that we be "exposed to the full opportunity cost of [our] spectrum use" (Recommendation 11.1) is based on the two false premises that (1) we are presently unaware of that opportunity cost and (2) that we could do anything about it if we were. Professor Cave's economic arguments with regard to the 'opportunity cost' of broadcasters' use of spectrum, and the potential for spectrum trading and spectrum pricing, are at odds with the concept of broadcasting spectrum being a public resource, for public services, even where those services are also commercial in nature. If our use of spectrum has an 'economic opportunity cost'

because frequencies are dedicated to sole users, then any release of broadcasting spectrum for other users will have a commensurate 'public service opportunity cost'. Neither cost is easy to quantify, but we would argue that the economic opportunity cost is easier to justify politically than any move to restrain the activities of broadcasters.

9. Professor Cave's suggestion that broadcasters be charged for their spectrum use according to the market value of that spectrum would act primarily to destroy the public service value of radio, undermine both its diversity and quality, and probably jeopardise the continuing existence of the commercial radio industry. It is a broadly accepted principle that the public service obligations that we take on as broadcasters are the price that we pay for access to spectrum. In not paying market value for our frequencies, we accept our responsibility to be subject to content and format regulation, and to fulfil obligations designed to protect diversity and quality in listener choice. These obligations also involve restrictions on radio ownership that are significantly more restrictive than those which apply to other media, and which logically limit our ability to maximise the revenue potential that our use of spectrum could bring. We believe that charging market value for spectrum would deprive the government of the right to require those obligations, and would create a largely deregulated environment driven solely by commercial objectives. As well as being massively detrimental to the public interest, spectrum pricing would also exclude from the radio industry all but the largest broadcasting companies; it would act as a barrier to smaller new entrants, and fatally undermine the viability of the small-scale radio sector. It is Professor Cave's contention that spectrum pricing would ensure that "the benefit to the overall economy is maximised". Not only is he wrong, but his narrow focus solely on economic concerns is socially unsustainable.

## **Conclusion**

10. We would welcome any practical suggestion to increase the efficiency of spectrum usage in the broadcasting bands, and thereby create additional broadcasting opportunities. However, any consideration of broadcasting spectrum usage as to take into consideration the fact that such spectrum is as much a public resource as it is an economic one. Additionally, whilst future policy should clearly not be bound by the conventions of the past, any analysis of the current allocation of spectrum to radio cannot be made without a clearer understanding of the organisation of the UK radio industry than is readily apparent in Professor Cave's report.