

What is slightly disturbing is that local radio in this country is suffering thanks in part to the impact of the credit crunch, but also because of the large debts that the companies involved already had. To take an example the case of Global Radio, they have a large amount of debt £210m (according to The Times) at the start of the year which is due in no small part to the purchase of Chrysalis (Radio) and Gcap Media. They have made cuts to the services and removed a large number of local brands to replace them with national ones, to a varying degree of success. There is an argument that says these companies made their bed and they should be lying in them right now, rather than being given hand outs in the form of relaxed regulation. As a former GCap Media shareholder I have a deeper understanding of this company opposed to others in the industry.

I'm wary of the idea that lighter touch regulation will work given the way it has been shown not to work in the banking sector and the problems that some radio companies had in the recent past. For example the £1m fine that was accrued under the management of Ralph Bernard and Steve Orchard at Gcap and the failure of former Gcap stations to stick to their format after the takeover by Global. If a station isn't making money do you know what the causes of this are, costs are an easy thing to spread around and something that might actually be profitable can be shown to be loss making. For example if the costs of servicing their debt pile are being split between all the stations at Global, it would I imagine become much harder to generate a profit at smaller stations. If however you applied these debt repayments to the total turnover and left local stations with just costs that are solely incurred by them there is a better chance of them showing greater returns. Given the staggering amount of networking that stations in a group are allowed to do what costs are local stations expected to bear?

Local radio used to be just that 'local' with request shows, content relevant to the TSA especially in emergencies and more listener interaction. The world has changed however and there is now more choice as to what and where you spend your time doing, the internet being a major factor, along with video games etc. Yes there are other methods of getting local news and information the internet being the obvious candidate here, but I still find the radio a very useful means of keeping up to date. Stations seem more and more to be encouraging people to "check the website" which now seems to be a major method of conveying local information to listeners, it is a useful tool but access to the net is not always possible. Drivers are one group that stand out, e.g. parents doing the school run during the last heavy snows need to know the status of the school(s) they are driving to. If this isn't announced on air, they have no way of knowing if it is open or closed unless they either call another parent or the school itself, in rural areas some parents have to leave before the information is available to ensure they arrive on time.

Another good example of where localness was a crucial factor occurred at the start of this year where there was a rather important football match taking place in Essex. League One team Southend United were playing Premier League Chelsea in the FA cup replay at Roots Hall stadium in Essex. Shortly before 7pm the match was called off due to very thick fog covering the pitch which in the referees view would not lift in time making the game unplayable. Strangely the fog then lifted rapidly minutes later and the referee decided that the match could proceed as planned, and Southend took an early lead before eventually succumbing to a dominant Chelsea side. However fans listening to Heart Essex would have been hard pressed to know that the match was still on as the stations last mention of the match was during the local drivetime. This finished at 7pm and when the match was reinstated there was no mention made of it on the station as they had switched to a networked show. I understand some fans had headed back home based on the last news they had of the match status from Heart Essex, only to have to retrace their steps when they found the match back on.

The problem is that when you take away the USP of a station i.e. the localness it becomes just another national station and the only thing to differentiate it from say BBC Radio 1 is the fact

that it has adverts (even if they are local). If you had the choice of two similar services where one was interrupted by commercials and the other wasn't, which of the two would you listen to? I'm not suggesting for a second that the sort of localness should be League of Gentlemen Tubbs and Edward style, that is a bit too far but there does need to be some content relevance to the broadcast TSA.

With regards to allowing local stations to merge, this is a very tricky topic and needs careful consideration. There is an argument that says on the one hand there would be benefits for the station owner and might allow for the station to continue broadcasting. However there is a flipside to that coin as it were, we should remember that we live in a capitalist society and the free market is the bedrock of this society. The fact is that businesses are and should be free to succeed and fail as a result of market forces (excluding certain essential sectors like banking) and the problem here is that you appear to want to distort this market for the radio industry.

Radio has quite high barriers to entry one of the main ones being the licences that Ofcom issue. If a station is unable to succeed in the market place then there is an argument that says that it should be allowed to fail, survival of the fittest if you like. If an area cannot support multiple stations then we should be allowing those that are not commercially viable to fail. We should not be allowing stations to produce cheaper content so that there are more of them available. However some areas have only one local commercial or ILR as they used to be known station, and if this is allowed to fail then those listeners are deprived. But how local is local radio, do people in North Devon care about what the traffic is like or the news from Plymouth or Exeter? (Not in my experience of living in Devon). I would personally say that the country was fairly well served by what are termed 'heritage stations' by some people and that these are still the backbone of local radio in this country. Those stations that were licensed later on the so called "Sallies" were possibly in some cases a step too far, in that the radio advertising money was being spread too thinly.

Therefore one possible solution is for the heritage stations those in existence before say 1995 should have their TSA increased possibly so that it borders the neighbouring TSAs to increase the potential maximum number of listeners. They should also be ring-fenced, by being given must carry status on the local/regional DAB multiplex. However these stations should not be allowed to drop any local programming and to continue with news provision as they do now and not be allowed to merge. There should also be some guarantees that in the event of an incident or crisis outside of local hours, the stations would provide some sort of information on the incident over the air not just direct people to their website. Those licensed after 1995 would be allowed to merge and share more programming but would not be guaranteed DAB space and would be restricted to the TSA they currently have. Again there should also be some guarantees about coverage of potentially dangerous/newsworthy events that occur outside of local hours e.g. the closure of the M1 due to an accident.

And this brings me on to formats, which are I believe to a certain extent designed to protect stations from having their audience cannibalised and to protect the listener. There has to be some form of regulation of the service that a station provides, with no regulation stations may choose to all target a specific demographic (I'm assuming the most profitable demographic) that advertisers want to reach. This would result in a decrease in listener choice of stations and as a result listeners would suffer. There is also the question of those stations that were licensed for one format finding that another station is now almost identical to theirs despite not being licensed for that format. If the switching station is better funded then it would then give a massive advantage to that station as they would be able to wait for the demise of the other station. GWR Bath is an example where Ofcom has had to take action in this field.

I am still struggling to understand what the reason for switching to DAB is, what problem

does DAB solve? There are more problems with using DAB it appears to me, than there are benefits to using it and it is very costly. DAB for me doesn't offer as good a signal indoors as FM will give you and the reception is very flaky, I know that friends also suffer in this way. For example in my third floor West London flat, unless the radio is positioned by a window I do not get a decent enough signal for the reception of certain multiplexes, and this includes the National Digital Multiplex Digital 1. The simulcast stations carried on these multiplexes are easily receivable on FM with no problems. The costs of providing coverage at the current level of those stations broadcasting on FM would seem to be very high and I will mention more on this later. AM stations do benefit from a lack of fading in and out which also provides is a step up from AM in terms of sound quality, the downside to this is coverage which is currently lower on DAB.

The problem is that for FM there isn't such a clear benefit, some stations that broadcast in stereo elsewhere are in mono on DAB. If we are supposed to be moving to a system fit for the 21<sup>st</sup> Century why are we having stations broadcasting in something that was superseded in the 1970's (mono to stereo) using technology from the 1980's? The 'Bit Rate' that stations are broadcast at is another major concern I have about DAB. A random check of some of the stations I can receive gives me a range from 64kbps to 192kbps which is quite a wide range. Sadly the technology was not designed to be used at bit rates as low as 64kbps and as a result the quality of the broadcast suffers as a result.

If the idea of getting people to switch to DAB is serious then why are stations allowed to broadcast at such ridiculously low bit rates and in Mono? Chill is a stand out example of a service that is broadcast in London at a very low rate of 64kbps Mono it is obvious (to me anyway) when listening that this is the case. Clearly this is a niche station and has been moved recently and inserted onto the London 1 Multiplex at lower bandwidth than it previously enjoyed. Now while it is probably provision of interesting services like Chill (that are not available on FM radio) that drives DAB take up, why then are allowed to be treated so badly? BBC7 is another good example, a station filled with drama and comedy that was in large parts recorded in Stereo which is especially useful for dramatic purposes e.g. characters walking from one side of the room to the other. This however is negated if you are listening via DAB because the station broadcasts in Mono, and I find myself listening by other means.

Other countries are for the most part not using DAB, they have moved on to newer technologies such as DAB+ and DMB which offer better sound quality at lower bit rates. Companies continue to put FM chips in their products, Apple and their latest iPod release being the first that springs to mind, over and above DAB. There is a cost issue involved here FM chips cost pence as opposed to DAB ones which I suspect do not, but also a compatibility problem. If you produce an item do you want to for world wide release, do you want to include support for differing worldwide digital formats, or do you just stick to something that already has near universal acceptance (FM). I am concerned that spending vast amounts of money making DAB the digital choice in this country we might well be taking a backward step.

As you have stated, I too believe that the BBC have played a massive part in getting DAB to where it is now, and without their support it would never have achieved the impact that it has had. This is good news for the BBC as it shows they have retained the powerful ability to reach and inform consumers. However as they are supposed to be 'Platform Neutral' it worries me that they have been pushing DAB to the detriment of promoting other methods of listening that offer better sound quality. Commercial stations have historically seemed less keen to promote DAB probably because of the choice and ease of tuning that is available on DAB might encourage listeners to channel hop and cease to listen to that station. DAB has had benefit of advertising on the BBC (often in prime time) that would have cost millions of pounds if placed commercially. I therefore think it is telling that despite this there are only just over 9 million radios sold with the number of households being

less than that thanks to multiple ownership of DAB radios. This is well short of predictions and whilst this will in part be down to the recession, it is I suspect down to listener apathy.

In 5.10.2 you say that:

In a world where multiple distribution channels for radio content are likely to coexist, each having its own separate set of costs, there is a question of how many distribution channels are sustainable, given the scale of the UK radio industry.

This is probably true and it brings to mind Fru Hazlitt who as GCap CEO was the first person in the radio industry to stand up and say that in her opinion DAB was a dead duck and that Internet Radio was the way forward. Channel 4 dropping plans for a second National DAB Multiplex seem to back this up. She said that it is easier to make money from listeners online as you can serve them adverts both visually and aurally. For example the Classic FM Internet players are I believe sponsored, (although how that sponsorship is presented to the listener I do not know), which more than covers the cost of providing the service. You can also find out near instantaneously information about the listener and target things towards them, rather than wait for the next RAJAR survey data to be posted.

As I understand it the cost of providing similar levels of reception on DAB to those that the listener currently enjoys on analogue are much higher due to the need for extra transmitters. As this is unlikely especially in rural areas to be solved by simply increasing the power of the transmitters is there an easy way to lower costs? There is a question over the long term financial survivability of DAB only stations, I am struggling to think of a station that has made money. Planet Rock is a station that does seem to have found it's niche and an respectable audience to boot, but is it profitable and does it have long term future?

There is also the question of when do you cease broadcasting FM/AM stations on analogue and switch them to DAB only? Commercial stations rely on listeners for revenue and need to retain those listeners, even a small drop in audience isn't a good thing. Therefore when you choose to switch if you do not have 100% take up of DAB at that point you will lose the amount of listeners that have not switched. So even if you set the switch point at 80% take up you are telling the station to turn off 20% of their audience which the station and the advertisers won't like. The decrease in costs associated with the ceasing of analogue transmission might not make up for this loss of audience and those lost listeners may not come back.

Then there is the question of multiplex ownership, should the companies owning the multiplexes also run some of the stations on them? My thinking on this is that there is an issue here, and the potential for conflict as you are allowing content providers to be gate keepers as well. What would be better is a system where the multiplex owner is separate from the broadcasters on the multiplex and works on the basis that carriage is charged at a sum of costs of plus a small percentage. The idea being that the multiplex owner is neutral and is less likely to favour one station over another, and not make land grabs.

It is difficult to try and guess what will happen with the industry going forward and past performance is not necessarily a guide to future results. If we want to see a survivable nucleus of stations that cover the country and allow for a slight decline in revenue, then this should be achievable. The question is do we try and keep the large number of stations but reduce regulation and dilute the local content on them. Or do we let market forces decide on the number of stations but keep the same level of regulation and local content on them?