

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title: The Future of Radio: the future of FM and AM services and the alignment of analogue and digital regulation

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Name **Tony Reeder**

Signed (if hard copy)



**BT Response to the Ofcom consultation The Future of
Radio: The future of FM and AM services and the alignment
of analogue and digital radio.**

**Response date:
29 June 2007**

BT Response to the Ofcom consultation The Future of Radio: The future of FM and AM services and the alignment of analogue and digital radio.

Executive Summary

BT is pleased to see Ofcom's early thinking on the potential switch-off of FM and AM radio. We believe that if Ofcom does identify a suitable switch-off date then to enable switch-off to be managed efficiently Ofcom will need to make flexible use of the licensing system. Broadly speaking we support Ofcom's proposals in this regard.

In the interests of spectrum management efficiency and to encourage innovation BT believes that when the analogue spectrum is freed up it should be made available for use by other applications. We therefore support Ofcom's proposal to use a market based mechanism to award the spectrum.

Introduction

BT welcomes the opportunity to comment on the Future of Radio (the 'Consultation'). BT recognises the important role that radio broadcasting plays to the culture of the UK. We are pleased to see that Ofcom is consulting on a number of important issues which will impact on radio listening for many years to come. In particular, while it is still early days to talk about a switch-off date we believe that this would be a task not-dissimilar to the switch off of analogue TV. Hence given the complexity of the task we are pleased to see Ofcom's early thinking on the issues involved.

General comments

DAB radio has been around for a number of years now and as the Consultation notes the analogue services which account for 90% of radio listening are also carried on DAB. It would therefore seem that as there is considerable replication of services on analogue and digital platforms that dual platforms is not a long term efficient use of spectrum. We do not see any compelling reason to maintain two platforms after consumers and the industry have had sufficient time to migrate to DAB. Given the forecasts for the adoption of digital radio listening we believe that it is timely for Ofcom to consider the need to switch off analogue radio and welcome the advanced view of its intentions. In fact we are of the opinion that the sooner Ofcom is able to identify a path to analogue switch-off the better this will be for consumers and broadcasters alike. We have seen the UK committing to analogue TV switch off and addressing issues of how to ensure that no-one is disadvantaged in the switch off. Similar timed consideration should be given to how to free up FM and AM spectrum and complete the switchover to digital for radio.

We also note that newer technologies are more efficient in their use of bandwidth which in itself would suggest that older technologies should be switched off. As the Consultation notes there are other technologies such as DRM which could eventually replace existing services with greater efficiency of spectrum usage.

Although DAB is a very good technology for providing radio in relatively densely populated areas, the cost of deploying DAB means that it is less suitable for low population areas. Given the limitations of DAB in certain situations, consideration needs to be given to allow other technologies such as DRM for example and legislative framework that should be employed to provide public service and commercial radio services in these areas.

There are a number of possible applications for AM and FM bands when they have been freed up from analogue radio. At this stage we have no views as to what the best use will be and arguably it could be radio in the form of DAB or DRM. Equally any regulator or government would also have great difficulty identifying the best technologies these bands could be used for. Nevertheless we believe that the best reuse of spectrum is likely to be obtained when the whole band is freed-up and made available to potential new users through auction on a technology neutral basis. A piece meal approach would likely restrict potential new uses. Achieving a common end-date for analogue services is therefore a cornerstone of maximising reuse.

In response to Ofcom's previous consultations on the management of spectrum, BT has in general advocated support for a market based mechanism and technological neutrality. BT is of the opinion that this approach should be applied to the freed up FM and AM spectrum where possible. Spectrum is a scarce resource which should be used efficiently for the benefit of consumers and citizens. While we recognise the importance of the public policy issues around broadcasting we believe that this should not be at the expense of efficient spectrum use.

We believe that the distinction between radio and TV broadcasts is now not as relevant as it once was as the digital broadcast technologies are no more than bit pipes that can be used for streaming services (such as linear TV and radio) to file delivery systems (as used to deliver program guides or real-time podcasts). Along with the increasing processing power in static and personal mobile devices this may enable a completely radical range of services to be provided.

As the Consultation notes there can be difficulties licensing radio services when the spectrum has been obtained separately. BT has supported the Ofcom policy of trading and liberalisation which should enable a user to use spectrum for any use. The licensing difficulties highlighted would be counter to Ofcom's policy of a market driven approach to spectrum management. We would therefore support Ofcom suggesting to the government that the link between broadcasting policy and spectrum allocation be broken. We believe that this would not only promote efficient spectrum usage but also provide greater flexibility for broadcasters.

Specific comments on proposals in section 5: The flexibility to free up spectrum in the long term

To clarify, the suggestions and proposals in italics in the boxes are the issues being consulted on and BT's responses follow.

Ofcom's Proposal 3

While we do not currently propose that a date should be set for the switch-off of analogue (FM and AM) radio, we should aim to maximise flexibility in the licensing system so as to be able to free-up that spectrum for other uses when the time is right.

BT believes that it is important for consumers and citizens that spectrum is managed in an efficient manner. To manage the spectrum in an efficient manner so as to align the end-dates of licences will require additional flexibility in the licensing system.

Ofcom's Suggestion 3.1

So as to maximise DAB coverage for local radio services, Ofcom could be given the power to increase the licensed areas of existing DAB radio local multiplex licenses where such increases would not be significant, and to approve significant increases in exceptional circumstances.

BT supports this proposal. Good DAB coverage will clearly facilitate the adoption of DAB. Where there are problems with DAB coverage it would make sense to increase the licensed areas of a local multiplex.

Ofcom's Suggestion 3.2

In order to achieve the flexibility to use the spectrum currently used for analogue radio for other things, we would need to have the ability to clear the spectrum of many, if not all, current users in each waveband simultaneously by setting a common end date for existing services. We propose two reviews to set such common end-dates:

VHF Band II (FM) – a review should take place in 2012, or when listening on digital platforms accounts for 50% of all listening, whichever is the earlier, to consider the future use of VHF Band II and determine a common end-date for existing FM services (commercial and BBC)

Medium wave (AM) – a review should take place in 2009 to consider the future use of medium wave and determine a common end-date for existing AM services (commercial and BBC)

BT supports the idea of undertaking reviews to determine the appropriate end dates. A common end-date is essential if the reuse of the spectrum is to be maximised. However, we also believe that Ofcom could bring forward the review dates so that the end-date could be identified earlier. To be clear we are not advocating bringing forward the end-date; only the time when the end-date is identified. Consumers, the industry and potential users of the released spectrum would gain through the additional certainty. In particular consumers would be able to make better informed buying decisions over the choice of radio receiver they purchase.

Ofcom's Suggestion 3.3

The spectrum currently used of analogue AM and FM radio should be available to use in other ways (if and when it is no longer needed for analogue radio broadcasting), using market mechanisms unless there are strong public policy reasons to allocate the spectrum to a specific use.

To ensure that spectrum is used efficiently and to encourage innovation BT believes that it should be awarded through market mechanisms (auction) on a technology neutral basis. In the event that there are public policy reasons which require the spectrum, then it should be purchased through auction or be bought at the market rate.

Ofcom's Suggestion 3.4

We propose that licences re-awarded under the current statutory framework should be granted with an expiry date of 31 December 2015.

BT agrees with this proposal.

Ofcom's Suggestion 3.5

The 12 year renewal provision for local and national analogue licences (both FM and AM) which should also provide a station on a relevant DAB radio multiplex service should be removed (this would not apply retrospectively to licensees which have already been granted such a renewal.)

BT agrees with this proposal. As a common end-date is important for any switch off it is important that analogue services are not artificially prolonged.

Ofcom's Suggestion 3.6

Ofcom should be given the power to

Extend all existing licences for an indefinite period, so as to achieve a common end-date for all licences;

Include conditions in all new or extended licences allowing for their termination by Ofcom with at least two year's notice, so as to allow the spectrum to be taken back for other uses. The appropriate termination date should be decided by future reviews,

which should also have a view, to maximising flexibility for the use of the spectrum and take into account public policy needs.

BT agrees with these proposals. We also believe that the reviews dates could be brought forward so as to provide more notice to consumers and the industry of any switch-off date.

Ofcom's Proposal 4

Radio services, including those designed to deliver public purposes, should be able to be licensed on any spectrum in a technology neutral way.

BT agrees with this proposal. Current broadcasting legislation does not reflect recent developments in technology and spectrum liberalisation.

Ofcom's Suggestion 4.1

Ofcom could have the ability to license radio services designed to deliver public purposes without having to determine beforehand which technology they must utilise. Ofcom could also grant licences for the provision of national and local terrestrial radio services to prospective providers who have acquired spectrum independently. Such services would not be regulated to secure diversity and/or localness. We suggest that any new licenses for the provision of radio services be granted for an indefinite period, and include conditions allowing for their termination by Ofcom with at least two years' notice. Licences would have a guaranteed five-year minimum term.

BT believes that users should be able to acquire spectrum without restriction on use. Hence a spectrum buyer should be able to use the spectrum for broadcast radio. We therefore support this proposal.

Ofcom's Suggestion 4.2

Any new licences which are to be regulated in order to secure defined public purposes could be awarded by auction, but with conditions attached to the licences to secure these purposes.

BT believes that spectrum should be obtained by auction even for defined public purposes. In principle we agree with this suggestion but we wonder how this may work in practice.

Ofcom's Proposal 5

Ofcom will generally approve a change from stereo to mono in circumstances when it considers that the reduction in sound quality of the services whose technical parameters is being changed is outweighed by the benefits to citizens and consumers of the use to which the freed-up capacity is to be put.

BT believes that Ofcom should be more flexible here. The issue is not just the use to which the freed-up capacity is to be put, but more importantly the resource that is required to deliver an appropriate level of service which in itself may have a high value. For example, a station dedicated to road traffic information would be entirely adequate in mono with a lower sound quality than a high quality music station. This service would require a lower bit rate and hence lower cost to the station than stereo. The low cost of the DAB capacity may therefore be a factor which makes the proposition viable. Under the Ofcom proposal, as written, there would be a requirement for Ofcom to consider that someone else would have a benefit for the freed-up capacity.

We are supportive of the work that Ofcom has undertaken in sound quality assessment of DAB. We believe that broadcasters should be able to decide what the sound quality should be rather than being required to comply with a stipulated a bit rate. We therefore support a licensing regime which stipulates the number of and type of stations on a multiplex but leaves the providers to determine the sound quality.

It is also not clear to BT how radio listening will develop as some listeners are using the internet to access 'radio' stations. For some stations (overseas for example) the internet may be the only way for listeners to access the station. Internet radio, could potentially offer higher quality sound than a station would want to choose to broadcast via radio. We would therefore ask the question should a listener expect Hifi quality sound on radio or something which is acceptable with the possibility that Internet could be used to provide a higher quality alternative. Thus a radio station could be consumed on several platforms possibly with different quality.