

Peter Davies
Director of Radio and Convergent Media
5th Floor
Riverside House
2A Southwark Bridge Road
London SE1 9HA

29th June 2007

Dear Peter,

Future of Radio Consultation – 17th April 2007

This response relates to the specific views and opinions of the Digital Radio Group (London) Limited ("DRg") as a local multiplex licensee and should be read in conjunction with the UK commercial radio industry submission from the RadioCentre where we support the proposal for an industry working group to include commercial radio groups, the BBC, community radio organisations, Ofcom, DTI, DCMS, DRDB and other stakeholders.

DRg, the operator of the Greater London III local multiplex, would like to comment on the following Ofcom Proposals:

2.3: The local DAB multiplex ownership rules could be changed so that no person can control more than one DAB multiplex designed to cover substantially the same area.

In paragraph 4.202 Ofcom states that '*it is undesirable for one owner to control access to the stations on every multiplex in any given area*'. Some shareholder companies in DRg are common with the shareholders of the other Greater London multiplexes. These operators do not see themselves in competition with each other but assist where possible in locating capacity for service providers by passing on requests for capacity where the contacted multiplex is full but capacity may be available on the other multiplexes. There is a desire amongst multiplex operators to assist in the migration of existing services to digital and contract with new digital-only services as this will further promote the drive to digital listening.

We would welcome the removal of all ownership rules as we believe that current legislation provides adequate protection for service providers in having fair access to the multiplexes.

Section 51(2) of the BA 1996 requires Ofcom, in deciding the award of a local radio multiplex licence, to have regard to...

g) whether, in contracting or offering to contract with persons providing digital sound programme services, television licensable content services or digital additional services, the applicant has acted in a manner calculated to ensure fair and effective competition in the provision of those services.

Section 54(6) of the 1996 Act requires Ofcom, in deciding whether to allow a variation of a local radio multiplex licence, if it is satisfied...

b) that the variation would be conducive to the maintenance or promotion of fair and effective competition in that area or locality

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.

Fundamental for the growth of DAB, DRg supports the RadioCentre supposition that a time frame is required for path to digital migration. We feel it is unfair that broadcasters are expected to invest large sums of money on digital broadcasting, in addition to their analogue transmission costs, without a clear path of return on their investments.

DRg recognises however, that radio is a very complex industry comprising many numbers of stations, large and small, currently operating on AM, FM and digital platforms with some 74 ownership groups.

As such, it further recognises that this timetable will be complex and must reflect the needs and interests of individual stations. That said, to ensure the future success of DAB, we believe that DAB take-up would be accelerated by Ofcom announcing a firm plan for a radio digital switch-over, based on the recommendations of the working group.

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

From a service provider perspective, many multiplexes are currently full so extending the PPA area would not allow these analogue services not currently on DAB to obtain a digital alternative. The extension of a PPA could also increase coverage of some services to areas that have no relevance to them in attracting listeners. Paying for the increased coverage is a further issue. Would all service providers currently on the enlarged multiplex be willing to pay their proportion of the higher fees? Would the multiplex operator be expected to do so?

Consideration would also have to be given to unwanted interference (ACI) that could arise from extending licensed areas damaging population coverage in other multiplex areas. Would there be a scheme for compensation for lost coverage or could the affected multiplexes increase power to compensate?

3.5: The 12-year renewal provision for local and national analogue licensees (both FM and AM) which 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.)

Through our shareholders we are aware that the commercial radio sector is having difficulty managing the financial burden of the transmission costs of both their FM/AM and DAB services. Removing the incentive of the 12-year analogue licence extension when providing a service on a relevant DAB multiplex runs the risk that broadcasters may pull-out of DAB altogether thereby giving further uncertainty as to the viability of holding multiplex licences.

Yours sincerely,

Ash Elford
Digital Radio Group (London) Limited