

Ofcom Future of Radio Consultation Intellect Response

FINAL

29 June 2007

Background

Intellect is the UK trade association for the IT, telecoms and electronics industries. Its members account for over 80% of these markets and include blue-chip multinationals as well as early stage technology companies. These industries together generate around 10% of UK GDP and 15% of UK trade. One of the key constituencies Intellect represents is Consumer Electronics manufacturers, many of whom manufacture DAB digital radios (see annex).

Intellect's DAB Digital Radio Group consists of these member companies and exists to help create the right business environment for its members. This response is written on behalf of those members.

Intellect response

Intellect welcomes the Future of Radio consultation and Ofcom's commitment to DAB digital radio. However, we do not believe that Ofcom's proposals provide enough certainty and clarity on the transition from analogue to digital radio. This is vital for manufacturers if they are to support the move.

In particular, we believe the following issues are vital going forward:

1. European harmonisation of digital radio broadcasting

There is no mention in the consultation document of harmonisation of digital radio broadcasting across Europe. This is surprising given how important a harmonised market would be to increasing innovation, choice and competition.

DAB digital radio is only in place in the UK and a few other EU member states, most notably Denmark, Germany, Norway and The Netherlands. The UK market is too small to interest some manufacturers, as it does not present the economies of scale required for significant investment by global manufacturers. A fragmented European market with regard to broadcast standards therefore holds back competition.

The standard installation of DAB digital radios in cars would be crucial step towards greater penetration of DAB. However, the lack of DAB across Europe is a significant barrier, as relatively small regional markets for radio do not interest car manufacturers. While steps are being taken to introduce DAB through, for example, Satellite Navigation systems, we are unlikely to see progress without a harmonised European market.

2. More clarity regarding dates to switch-off analogue is necessary for manufacturers to support the move to digital

The Future of Radio document signals the first moves towards switching from analogue to digital radio, but there is a lack of clarity and certainty regarding how this will happen. This is despite the clear acknowledgement that it is an inevitable trend, supported by listening figures, and the clear support for the DAB platform as the cornerstone of digital radio in the UK.

Ofcom states *"It is essential that we do not rush the question of analogue switch-off, but it is also important that we are ready to address the questions raised by digital migration in the right way at the right time."*

Intellect believes that we are in a position to address the questions raised by digital migration and that we should do so sooner rather than later. Listening to DAB increased by 44% last year, we have just sold the 5 millionth DAB digital radio set in the UK and listening is growing across all other platforms. Given the clear trend towards digital and the decline in analogue listening we disagree with suggestion 3.2 that:

“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).”

3. Intellect believes that reviews of FM and AM should be conducted together and that they should begin in 2008 following the results of the BBC DRM trial.

Intellect does not believe, given Ofcom's firm commitment to digital radio, that it makes any sense to wait to start reviews beyond next year, or that FM or AM should be reviewed separately. Intellect supports the suggestion by Ofcom that licences should contain greater flexibility so that they can be aligned with a view to switchover at some stage in the future but believe that delaying discussions on how that would happen would only waste an opportunity that the Future of Radio review presents.

Intellect believes that these reviews should include all stakeholders (broadcasters, manufacturers, infrastructure companies and Ofcom) coming together and agreeing a common view of the way forward. We have been too fragmented in the past and it is even more important that we have a joint vision for digital radio in the UK given the number of different possible broadcast standards. This review, instigated by Ofcom, can provide the catalyst for making this happen.

Clarity on analogue switch-off dates, as we have seen with Digital TV, will provide manufacturers and retailers with the certainty they require to plan introduction of new digital products. Once Government committed to digital switchover with a formal announcement we saw, within 18 months, a shift in the market from 200,000 sales of integrated digital TVs a year to an expected 4 million plus this year. This also provided far greater choice of product in the market for consumers.

4. DAB should be the cornerstone for digital radio in the UK and any further commitment to other broadcast standards requires a common plan

To date, the introduction of new broadcast standards in the UK have been a chicken/egg scenario without any common plan ie broadcasters wait for sets on the market and manufacturers wait for content to be broadcast. It is hoped that a common plan for the UK will now emerge as soon as possible as a result of the Future of Radio review.

Intellect believes the following:

- We are committed to DAB and that is where we should focus.
- DRM trials are underway and while it may be a good solution for AM, it is too early to say regarding introduction in the UK. We should wait for the results of the trial and assess the best way forward as part of the reviews.
- DAB+, as Ofcom states, would create a large legacy issue and is therefore not currently a viable option for the UK.
- Multi-standard sets are far from becoming the norm across Europe as Ofcom states. The additional cost of building in this technology would mean creating a premium price product in a price driven market. This is not a commercially viable option for manufacturers. A harmonised European market would create volume and take away the premium.

Conclusion:

- Intellect is very supportive of Ofcom's move to bring about switch to digital radio.
- DAB is the digital radio broadcasting standard in the UK and should remain so.
- European harmonisation would benefit everyone but most of all the UK consumers.
- We need far more clarity on the timing of analogue switch-off than is currently provided and believe reviews of FM and AM should start in 2008.
- We must work together as an industry to plan the future for radio in the UK and this consultation provides the driver to do so.

Contact for further information:

Laurence Harrison
Director of Consumer Electronics
Intellect

Laurence.Harrison@intellectuk.org
020 7331 2043

Intellect Consumer Electronics Members

Alba
Bush
Goodmans
Grundig
Hitachi
Humax
JVC
Ministry of Sound Audio
Pace Micro Technology
Panasonic
Philips
Pioneer
Roberts Radio
Roadstar
Sagem
Samsung
Sanyo
Sharp Electronics
Sony
Toshiba