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29th June 2007

Dear Peter,

Please find below the response of UTV Radio (GB) Limited ("UTV Radio") to your recent consultation document "The Future of Radio". This response relates to the specific views and opinions of UTV Radio, and should be read in conjunction with the combined views of the UK commercial radio industry as expressed within the response document submitted by the RadioCentre.

1. Summary

- 1.1. Our specific responses to the consultation proposals are set out below, and follow the framework laid out by Ofcom. However, we would echo the views expressed within the RadioCentre submission that the proposals in this consultation are insufficiently radical and do not go far enough to secure the future health of the UK commercial radio industry.
- 1.2. As we stated within our response to the Future of Radio Discussion Document (published 16/11/06), we welcomed Ofcom's appreciation of the current uncertain state of the UK commercial radio sector, the nature of the significant issues facing it now and in the future, and Ofcom's realisation of the actions required by it to secure its health and prosperity. However we feel that the current proposals do not go far enough towards deregulation. To be clear, we are not advocating a position where there is no regulation - but we would welcome a significant reduction in order that we achieve greater focus on 'output' rather than 'input' regulation.
- 1.3. As regards Proposal 1, we believe ILR analogue Format deregulation needs to happen, and that it should happen now. We find it unfortunate that Ofcom's proposals for regulating localness continue to focus on 'input' regulation through the setting of quotas for locally-made programming. We also suggest that setting quotas simply by size of station fails to understand the more complex factors facing radio stations in differing markets, and is therefore fundamentally flawed. We support the RadioCentre's research on listener views regarding the importance placed on what comes out of the speaker (outputs) rather than where the programme was made (inputs), and strongly urge Ofcom to exercise more of its discretion regarding localness afforded to it under Section 314 of the Communications Act. Clearly courage is required to take the bold steps needed, but we firmly believe that like the local press industry, the local radio industry can and should be trusted to continue to deliver relevant local material and that the benefits that co-location can deliver are compelling reasons to remove current locally-made quotas. However, if Ofcom is unwilling to make these moves, we would support the RadioCentre proposals to shape an industry-administered self-regulated localness code.

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- 1.4. As regards Proposal 2, we concur with the RadioCentre view that Ofcom's ownership proposals are not future proof. Furthermore, we also believe that specific plurality regulation on radio is outdated and unnecessary, and should therefore be removed and that Competition law should govern all intra-radio consolidation.
 - 1.5. As regards Proposal 3, we believe the proposals are constructed based on the existing analogue position and licensing requirements rather than a vision of what the future of radio could be. To continue with analogue-era regulation would be damaging. As a consequence, we fully support the RadioCentre's proposals for the immediate establishment of a cross-party working group to plan whether, how and when the radio industry should become fully or mainly digitized, reporting back to the DCMS by the middle of 2008. Furthermore, we urge Ofcom to be more cognisant of the strong structural differences between the television and radio markets, and therefore more aware that digital migration in radio is, and will be, different. Further, we believe that all analogue stations that want one should have a digital future before there is any conversation of analogue switch-off. In addition, we strongly oppose Ofcom's proposal to review the AM and FM wavebands separately and believe that any review of the future of radio must consider all regulated radio broadcast spectrum together. Finally, we look for assurances, given the significant "intervention" of the BBC in the marketplace, that the commercial sector and the BBC be treated the same in respect of relinquishing spectrum, and specifically that talkSPORT be allowed to maintain its AM broadcast for as long as the BBC Radio 5 Live AM service is on air.
 - 1.6. As regards Proposal 4 we accept the need in principle to separate spectrum and technology within current legislation, however suggest some of the specific proposals put forward by Ofcom require either further clarity or more time to determine.
 - 1.7. As regards Proposal 5 we believe the choice of mono or stereo operation should be a matter for the broadcaster and not subject to regulatory intervention, and that The Technical Policy Guidance for DAB Multiplex Licensees is sufficient regulation in this regard.
 - 1.8. As regards Proposal 6, we, like the RadioCentre, believe it is too early in the life of Community Radio to be recommending wholesale changes (many requiring legislative change). Whilst we are in favour of simplifying areas such as the application process for Community Radio applicants, we feel that Ofcom should wait until the outcome of the community radio review (not due for completion until the end of this year) before considering the significant changes outlined in the consultation.
 - 1.9. Our detailed responses to the consultation follow.

2. Response to Proposal 1

"The regulation of content on analogue commercial radio and on DAB digital radio should be aligned, at the appropriate time."

- 2.1. With regard to the overall thrust of this proposal, we totally accept and support the principle of some form of Format retention as a means of ensuring diversity of output and the delivery of public policy objectives for radio. In giving evidence to the Culture Media and Sport Select Committee, Ed Richards, Chief Executive of Ofcom suggested that *"some in the Commercial Radio sector would like a world in which there were no obligations"*. For clarity, this is not the position of UTV Radio.
- 2.2. We also accept the need for Format alignment between local analogue and digital services and support Ofcom's proposal to simplify analogue Formats to give a simpler "character of service" as exists currently for digital stations and as laid down in statute for two of the three national analogue stations.
- 2.3. However we disagree with Ofcom's proposals as regards what constitutes the 'appropriate timing' for that alignment. Our firm belief is that having accepted the need for alignment, Ofcom should act swiftly to promote consistency across analogue and digital regulation for the benefit of the entire industry, and align Formats now rather than depend on arbitrary digital listening figures. In addition, making this change now will remove another analogue-era regulatory barrier and promote investment in content and radio infrastructure for the next stage in commercial radio's development.

1.1: The timing of any changes to Format and localness regulation of commercial radio should be linked to a threshold based on the overall proportion of listening accounted for by digital platforms. For those changes which could be made without new legislation, we suggest an appropriate threshold would be 33%, but welcome views as to alternatives.

- 2.4. We disagree with this proposal. The timing for changes in format and localness regulation in commercial radio should be now. Furthermore, we believe the choice of threshold is totally arbitrary. It appears to us that the 33% threshold used by Ofcom links back to a historical position that appeared in early DAB Multiplex licence awards. A review of Annex I digital format commitments and multiplex applications reveal that 33% digital penetration thresholds were commonly pledged as a trigger to provide local content and news on some simulcast services or as a trigger to add further services to the multiplex. However, these proposals were put in place in applications in the early days of digital radio and are simply not relevant now to be used as a trigger threshold for such a fundamental change in analogue radio regulation.
- 2.5. We also disagree with Ofcom's assertion in section 4.19 that *"as one of the main reasons for proposing regulatory changes is the differential regulation of analogue and digital platforms, the implementation of some or all of the proposed changes in regulation should be tied to the proportion of listening accounted for by digital platforms. This would ensure that changes are only allowed when conditions require them."* This statement contradicts Ofcom's own assessment of the health of the commercial radio sector, and the current, real financial pressures it is under. Conditions require change now, both to secure the viability of local commercial radio and to secure the investment in radio's long-term digital future. Not when some arbitrary threshold of "digital listening" is reached.
- 2.6. Finally, we would strongly urge Ofcom in any event to reconsider its use of "all digital listening" (i.e. regardless of platform) as an appropriate benchmark, if one is used at all. This blanket definition is overly simplistic, and does not take account of key structural factors such as the level of DAB listening, and more importantly the level of DAB/analogue in-car listening, which represents almost one fifth of all commercial radio's listening hours and delivers over 50% reach - a key source of audience for

commercial radio. Given the high level of in-car listening on our national speech service, talkSPORT, this factor is even more relevant to us

	Total Reach	Total Hours	In-Car Reach	% Listened In-Car	In-Car Hours	% Of Total Hours
talkSPORT	2239	18592	943	42%	5076	27%
Virgin AM	1816	10271	624	34%	1404	14%
Classic FM	5757	44503	2394	41%	6070	14%
All Radio	45044	1057015	23875	53%	180680	17%
All Commercial Radio	31346	457085	15864	51%	84937	19%
Local Commercial	25492	343440	12972	51%	66451	19%
National Commercial	13318	110627	5119	38%	16794	15%

Source: RAJAR Q4 2006

2.7. The irrelevance of these arbitrary thresholds is further demonstrated by the in-car position. Even if all digital listening reached 33%, which may (or may not) happen in the next few years, in-car DAB set penetration will likely still be in single figures (see analysis in Appendix 1). The longer term position for in-car radio listening (and its importance to the UK commercial industry) is a key structural issue in the path of digital migration that further demonstrates why there needs to be cross-party working group to look at how we move into a digital future. This point will be discussed further later in this document.

1.2: Analogue local commercial radio station Formats should be streamlined to bring them into line with the level of detail in DAB Formats, when the relevant digital listening threshold is met.

2.8. We agree with Ofcom's assessment of "Option 4" (sections 4.41 to 4.49) that simplifying local analogue Formats down to the level of detail within the current Character of Service would *"maintain diversity"*, and *"allow stations greater flexibility than they have at present to adapt programming to changing local tastes and interests"*. In addition we believe this should be replicated for the national analogue services as well, in order to align the industry at local analogue, local digital, national analogue and national digital levels. For national analogue licences there is already a statutory "character of service" commitment that we believe should be retained (e.g. for talkSPORT/INR3 - mainly speech (see sections 2.39 - 2.43 of this document)).

2.9. However, as mentioned previously, we disagree with Ofcom as to the appropriate timing of such changes for the same reasons as set out in our response to Proposal 1.1 above (i.e. that removing the disproportionate regulatory burden of analogue radio is needed now, not in the future). Given that diversity will be maintained, and local tastes and interest will be better served by the change, we strongly believe that these changes should be implemented now.

1.3: Ofcom could give guidance on appropriate minimum levels for the amount of locally-made programmes and local material (local programming) required to be provided by analogue local commercial stations, according to the size and type of station. Local material should be locally made within the licensed area unless subject to any agreement for co-location of studios, according to specified criteria. These changes should be introduced when the relevant digital listening threshold is met.

2.10. Of all the proposals within this consultation document, we regard this proposal as one of the most disappointing aspects of the consultation.

2.11. We do not believe that regulatory intervention is required to ensure the provision of local material nor do we believe it necessary that there should be any regulatory intervention to ensure local content provision in radio stations' output. In this regard we would reiterate the comments made by Lord Macintosh during the Lords second

reading of the Communications Bill that, *"... good local radio stations will strive to be local; they will have to be, because they will not survive unless they are"*. Localness is the one USP that ILR's have over their larger regional and national BBC or commercial competition. As a result it would be commercial suicide for local stations to omit local content.

- 2.12. It is perhaps no co-incidence that while the local commercial radio industry flounders under a burden of disproportionate, untargeted and outdated regulation, the local press sector continues to benefit from the ability to drive profitability through economies of scale. Despite its unregulated nature, local and regional press titles survive on the ability to deliver local or regional news and information. In addition, Ofcom quote the Internet as giving a clear structural threat to the radio industry. Coincidentally, this platform is also unregulated. Successful sites choose to deliver content that people want to read, view or listen to, and can change content overnight if they wish.
- 2.13. Put in perspective, commercial radio is a small industry. Total industry revenues in 2006 were just £534 million¹. In comparison, local and regional press advertising revenues were a little under £2.8 billion¹ in 2006, with Johnson Press alone recording a turnover in excess of £600 million in its 2006 financial year (more than the combined figure of all UK radio). Furthermore, 2006 saw Internet revenues push through the £2 billion barrier and the medium now accounts for in excess of 10% of total UK advertising. However, despite its relatively small scale, commercial radio is the most heavily regulated.
- 2.14. It would appear therefore that Ofcom does not trust the commercial sector to deliver outcomes that listeners want and continues to see a need for it to regulate commercial radio inputs.
- 2.15. Ofcom's proposals for regulating localness on local radio perpetuate an increasingly irrelevant link between local material and locally-produced programming, and thus continue to focus, inappropriately, on 'inputs' rather than 'outputs'.

Locally-made programming versus locally relevant programming

- 2.16. We challenge Ofcom's continued insistence that there is any regulatory relevance in determining where 'local material' should be made, particularly given its stated shift to "output regulation". In this regard we strongly urge Ofcom to see the distinction between locally-made material and locally relevant material. And to move much more radically towards output regulation rather than input regulation.
- 2.17. For example, in the case of voice-tracking, what difference does it make whether a presenter based in Manchester gets in his car and travels to Warrington to record a show or does it over ISDN? In this instance the answer is "none", except that in order to comply with regulation on the amount of "locally-produced" material, he has to get in his car and make the trip. However in what comes out of the listeners' speakers, nothing would be different in either scenario. Similarly, what does it matter to a local newspaper reader where his paper is printed? The answer is it most likely does not, and in any event where a local press publisher can print their titles is in no way subject to regulatory control. As mentioned previously, Johnson Press for example has an annual turnover in excess of £600 million (more than the combined UK commercial radio sector), and publishes 309 titles from just 12 regional print centres. These titles continue to be well supported in their respective marketplaces given the relevance of their content to the local area, not because of where that material was produced or printed.

¹ Source: Advertising Association Statistics Yearbook, 2007

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- 2.18. Furthermore, given the vast majority of local radio output is music that has been compiled and scheduled for local audiences but is infrequently “locally-made”, why does it matter to the regulator where this output is played-out?
- 2.19. Ofcom’s desire to maintain input regulation regarding the amount of locally-made material a station must produce is damaging to the commercial sector and will hamper investment and the ability for groups to adopt more successful commercial models. Attracting local audiences with compelling, relevant content is at the heart of growing any commercial radio station. We would suggest that Ofcom needs to (and has the discretion to) make the leap of faith and start trusting that it is simply not in the commercial sector’s interests to produce locally irrelevant material if this will drive away listeners. Examples of this within UTV Radio’s ILR network are Swansea Sound (where the station over delivers on Welsh language output because it is what many listeners want), and Wave 102 (where we over deliver on local news because this is what our listeners want and it helps create a point of difference in our output within the Dundee market).
- 2.20. Ofcom can easily, through the “character of service” commitment, maintain that a station’s output must have locally relevant material (e.g. Imagine FM – a varied music led station for the Stockport area with strong focus on local news and issues). In the Imagine example the key words are “strong focus”, so in its output monitoring, Ofcom could suggest that to have no locally relevant content during a representative daytime period would be against the station’s character of service and sanction it accordingly. However, we do not believe that the role of the regulator should be to micro manage station inputs, and it must leave the precise amount of local programming up to the individual station.
- 2.21. Taking the Imagine FM example again, this station’s future depends on differentiating itself in a very crowded Manchester market. Imagine achieves this by delivering a local perspective, and driving and developing its links with the local community. Just in the last six months, Imagine has held a recruitment fair at Stockport College attended by 20 local employers, hosted the Pride of South Manchester Awards, and raised money for The Together Trust through a charity golf day. Furthermore, the station will be actively promoting and attending all the Summer Carnivals taking place across its region through into August. Imagine FM does not do this sort of local activity because it is in its Format. It does it because it makes sound commercial sense.
- 2.22. As the legal advice within the RadioCentre’s submission demonstrates, with regard to localness requirements, Ofcom has far greater discretion under Section 314 of the 2003 Communications Act than it is currently prepared to exercise. We would welcome Ofcom exercising greater discretion with regard to localness.

Co-location

- 2.23. UTV Radio recently applied to Ofcom to relocate three of its ILR stations (Wish FM, Wire FM and Tower FM) in a new, purpose-built broadcasting facility in the North West of England.
- 2.24. The move to co-locate these stations (we argued) would in no way detract from or dilute the localness of these services or their commitment to their respective communities. Rather, we suggested, our proposals would have the effect of enhancing the output of these stations for the benefit of listeners, whilst cementing their positions in the local media market as viable commercial operations going forward.
- 2.25. Some of the tangible benefits we set out that would help to improve the health of these stations in an increasingly difficult environment for local radio, included:
- All stations housed in a new £1.3m “state of the art” radio facility
 - Creation of a new centre of excellence in local commercial radio

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- Ability to bring together historically separate operations in a new home under the hugely successful UTV culture
 - Better working environment to help attract better quality staff at all levels and crucially reduce staff turnover
 - Localness of stations protected and enhanced
 - Safer, more efficient and convenient working environment for UTV Radio employees
 - Freeing up journalists to “work their patch” would enhance local news provision
 - Retained separate studios for all three stations
 - New vitality brought to all personnel and stations
 - Cost savings redirected into programming
 - Ability for stations to have direct access to senior management, personnel, marketing, traffic, accounts and other central resources
 - Improved inter-station communication and the ability to truly share best practice methods/ideas
 - Critical mass to invest in improved joint staff training

2.26. The issue over the location of where material is produced goes to the heart of station co-location, and Ofcom’s interpretation of legislation is leading to unwillingness to remove these restrictions for the benefit of smaller, financially less viable stations. In our view, Section 314 (1) (b) is drafted in highly permissive terms and allows Ofcom to specify the proportion (which might in any particular case be zero) of local material that should be locally-made if such material is included in the service.

2.27. What we have under the current regulations is the ability of a large metropolitan or regional station to locate anywhere within its MCA. It is therefore easily conceivable to have the situation where three large-scale services can be co-located (e.g. Century, Smooth and Rock Talk) further adding to the financial attractiveness of joint ownership, but smaller stations cannot (doubly penalizing the smaller ILRs).

2.28. We therefore strongly argue that all restrictions on locally-made material be removed, paving the way for commercially driven and commercially sensible co-location decisions.

2.29. This cuts to the heart of the Future of Radio. As we move away from a situation where operators can grow their businesses by winning new licences, the successful companies will be those who best manage their portfolio of interests. This will come through acquisitions and disposals of assets, and the industry needs the ability to trade assets and benefit from economies of scale without constant recourse to the regulator. Two fifths of smaller radio stations do not make a profit, and as Ofcom’s own analysis shows, the benefits of co-location can have a materially beneficial impact on station profitability, with consequential positive implications for its viability and vitality.

2.30. The vast bulk of regional newspaper consolidation activity was driven simply by cost and print site synergies. These are now the companies who are investing millions in better product, more colour printing, better local news facilities, and new digital platforms. The radio regulator must create a framework that allows this to happen in radio, or the industry will suffer in the long term.

Local Programming Requirement Framework

2.31. In relation to Ofcom’s local programming requirements framework set out in Option 5 (sections 4.99 to 4.116) we believe that the station size thresholds are too simplistic, take no account of the complexity of any given TSA, the number of competitors in that market, and the basis of competition between stations. As such we believe this approach is fundamentally flawed.

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- 2.32. Under Ofcom's current framework, a station such as 107.7 The Wolf or Imagine FM will be categorized in the same way as 95.8 Capital FM or Key 103, which is clearly unfair and unrealistic given the respective station sizes and financial performance.
- 2.33. Our firm view is that rather than create yet another layer of rules and regulations, Ofcom should step away from micro-managing the localness of commercial radio, and trust ILR's to deliver what they believe is the appropriate amount of locally relevant material for their specific markets within the spirit of their "character of service".

Timing

- 2.34. As regards the timing of the above changes we strongly believe they should be introduced immediately.

Self-regulation

- 2.35. While we are firmly of the view that Ofcom can and should move away from setting quotas for locally-made programming to a situation of no regulation, we would support the RadioCentre's proposals for an industry-administered localness code as a practical, workable solution around the opposing views on this contentious issue.

1.4²: It is properly the domain of Government and Parliament to determine Ofcom's statutory duties. Ofcom's existing statutory duty to ensure the provision of an appropriate amount of local material with a suitable amount of local production applies only to each analogue commercial local radio station. Our analysis suggests that, as digital listening increases Ofcom should be allowed to look at the provision of local material across all local commercial stations in an area on a platform neutral basis for broadcast radio (i.e. analogue and DAB digital radio). Government may also wish to consider whether this duty should apply to all future broadcast platforms which seek to replace analogue radio listening, such as DRM, but not to platforms intended primarily to deliver other types of services such as digital television.

- 2.36. We agree that significant change to Ofcom's statutory duties in relation to localness do indeed need to be made.
- 2.37. First, as argued above, Ofcom should step away from attempting to micro-manage the content of the commercial radio sector, and free up stations' ability to determine their own content guidelines based on their own specific markets.
- 2.38. Second, we would point out that Ofcom's desire to extend the regulatory burden of locally-made material into a digital world, where there will be significantly more stations, will be even more onerous than the current situation. As a result we strongly resist the introduction of localness requirements in digital radio.

1.5*: Government may wish to consider bringing forward proposals to amend the existing legislation to remove the Format restrictions on national analogue radio, at an appropriate time, if it considers that DAB national services will provide the required diversity of national stations.

- 2.39. UTV's strong view on this proposal is that the Format requirement for national analogue radio be maintained in statute until such time as both BBC and commercial national analogue broadcasting ceases.
- 2.40. We do not believe that the original reasons for creating a "mainly speech" service have changed (nor indeed a "music which is not pop music" service). There remain very few other commercial speech stations in the UK. As a result the driving force behind the legislation - to give competition to the BBC - is as important now as it was in 1990. Even with further speech channels proposed for the second national multiplex, these are as yet unlaunched and therefore unproven. It is also worth bearing in mind that BBC speech stations continue to flourish with for example Radio 4 having 9.6 million

² Suggestions marked with an asterisk would require new legislation

weekly listeners, 5 Live 5.9 million listeners, and BBC Local and regional stations (which are mainly speech led) reaching 10.3 million adults every week. Talk Radio and subsequently talkSPORT have brought much needed competition to the BBC monopoly in speech radio and, importantly, diversity for the consumer. This should be maintained through the retention of format restrictions on national analogue licences.

2.41. The retention of the legislative criteria for national analogue stations will aid Ofcom in achieving its objective of having a "wide range of innovative UK-wide commercial stations providing competition to the BBC", and Ofcom's view expressed in the consultation document that commercial and BBC services should be treated equally.

2.42. Therefore, in the context of plurality and equality, and given the BBC's Charter requirement for "universality", the statutory requirement for a national AM "mainly speech" service should remain as long as BBC Radio 5 Live's AM service is on air.

2.43. Our position on retaining what is essentially a "character of service" for the national analogue licence directly mirrors our position to have a similar "character of service" for local analogue, local digital and national digital licences.

2.44. Finally, we would strongly argue that the existing three analogue national licences be further extended or re-issued on the same financial terms as the recently agreed extension (2008-2012) post 2012 so as to aide in the transition to digital. This should also be part of the cross industry working group consideration. We suggest that to re-auction the national analogue spectrum potentially bringing new national services to the UK airwaves is contrary to the stated intention to migrate towards digital. It could also potentially damage the digital transition process given the lack of any incentive for these new broadcasters to promote and migrate their analogue listeners to digital. In addition, we believe there is a further rationale for extending the existing national analogue licences given we would seriously question the attractiveness of these licences to new entrants should Ofcom auction them in 2012 for a further (three year?) term. In essence, "rolling over" the INR licences would be beneficial to Ofcom and the industry in terms of securing our digital objectives.

2.45. [\[CONFIDENTIAL\]](#)

1.6: The requirements on DAB digital radio to offer national (UK-wide) services which appeal to a variety of tastes and interests should remain.

2.46. UTV Radio agrees with Ofcom's proposals in this regard.

3. Response to Proposal 2

There may be a case for Government to consider bringing together the ownership rules regarding analogue commercial radio and DAB digital radio into a single set of rules as the proportion of listening accounted for by digital platforms increases.

3.1. In relation to this proposal we strongly argue for the removal of all current radio ownership restrictions, and wholeheartedly support the view of the commercial radio sector as set out in the RadioCentre's submission, namely that:

- Parliamentary actions and previous regulatory work have both suggested that overhauling ownership rules may be required in the light of changing market conditions.
- Mono-media plurality rules are of decreasing importance in a multi-media, multi-platform world; and it is inappropriate that only the smallest section of the traditional media landscape should continue to be subject to them.
- Although radio continues to be an important source of local news, this is due to its ubiquity and real-time nature, rather than a genuine need for radio alone to provide plurality of viewpoint.
- Consumers are finding new and different ways to access news and information.
- Ofcom's proposals are not future proof.
- The existing rules are a disincentive to investment in the radio industry.
- Further consolidation could bring genuine benefits to consumers and the economy.

3.2. With the completion of the analogue licensing timetable and the growing importance for operators to manage their station portfolios, asset trading will become an increasingly important aspect of merger and acquisition activity within the commercial sector. Removing the existing (complex) ownership rules will allow operators and consequently consumers to benefit fully from consolidation and the associated industry benefits.

3.3. We believe given the small scale of the commercial radio sector and the number of local media sources available, specific radio ownership rules are increasingly anachronistic and should be totally removed so as to allow stronger, regionally focused station clusters to emerge, to the benefit of listeners and owners.

2.1*: The timing of any changes to ownership regulation of commercial radio could be linked to a threshold based on the overall proportion of listening accounted for by digital platforms. This may be the same threshold as that considered above for changes to content regulation.

3.4. We believe the timing of ownership changes should be restricted only by the speed of the legislative process to change the current regime, not governed by arbitrary digital listening thresholds.

3.5. Given the scale of the commercial radio sector, the low importance of local radio as a source of local news³, the existence of the BBC radio services and many other sources of local news (press, internet, TV, mobile services) plus the unregulated nature of

³ In quantitative research undertaken by UTV Radio as part of several FM licence applications, only between 7.0% and 8.7% of all adults in the various areas surveyed cited local commercial radio as their main source of local news and information.

many of those services, we believe the case for specific plurality rules for commercial radio is out-dated and unnecessary. Ofcom itself recognise the imperfect nature of the current system (paragraph 4.164).

- 3.6. We would therefore strongly endorse the key arguments set out in Option 2 (paragraphs 4.177 to 4.181), and suggest that not to change to a system regulated only by Competition law because (a) the current rules were only changed three years ago and (b) some consolidation scope still remains under the current regime as weak arguments not to implement total ownership deregulation. The logical flow of Ofcom's second point here appears to be that if a regulation is not having a demonstrable negative impact it might as well be left in place. We believe this goes against the principles of good regulation. As the Government's Better Regulation Taskforce established, the only important considerations in making regulatory decisions are whether regulation is Proportionate, Accountable, Consistent, Transparent and Targeted. Ofcom therefore has a duty to remove unnecessary regulation, and we do not believe that radio ownership regulation continues to serve a useful function.

2.2*: There could be a single set of ownership rules based on defined ownership areas which would be applied across analogue and DAB platforms, once the relevant digital listening threshold is met.

- 3.7. We disagree. As we argue above, we do not believe there should be any radio specific ownership rules.

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.

- 3.8. We believe DAB multiplex ownership should be governed by Competition law only. UTV Radio already has investment positions in two of the three Greater London DAB multiplexes although it only has control of one as current legislation dictates. Ofcom's concern that '*it is undesirable for one owner to control access to the stations on every multiplex in any given area*' (paragraph 4.202) would not be founded in the Greater London area, as it is the current practice of the multiplex operators to pass on requests for capacity to each other where contacted multiplexes are full but capacity may be available on 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.

2.4: The rule that no one person can control more than one national DAB multiplex could be retained.

- 3.9. We believe DAB multiplex ownership should be governed by Competition law only.

2.5*: The cross-media ownership rules could be based on defined ownership areas, as per 2.2 above; and analogue and digital radio services could be considered together in this regard.

- 3.10. UTV plc is firmly in favour of the total removal of cross-media ownership rules, and the application of Competition law only. Within the competition law framework, we see no added benefit in arbitrarily determining who ultimately owns UK radio.

4. Response to 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.

- 4.1. UTV Radio accepts that the long-term future of radio is digital and are major investors in the technology. We also accept that there are significant issues to be resolved in moving to that future. However, having read Ofcom's proposals in this regard it is our view that the proposals have been shaped with its own issues in mind with limited thought as to the actual practicalities for operators, let alone the implications for consumers and listeners. Although Ofcom identifies many of the technological challenges facing the industry, 'The Future of Radio' does not propose a plan to drive radio towards a digital future. Along with the rest of our commercial radio colleagues, we believe such a plan (covering both FM and AM wavebands) is now critically required. We therefore welcome the proposal set out in the RadioCentre submission for the establishment of a cross-party working group to begin looking into whether, when and how the radio industry should become fully or mainly digitized.
- 4.2. UTV is at the leading edge of development of digital radio services. talkSPORT is carried on Sky, Freeview, Virgin Media, DAB, Worldspace and the Internet (narrow and broadband platforms), and has taken part in European and UK trials of DRM (Digital Radio Mondial) broadcasting to ensure that its output is and will be available to the maximum number of listeners, with the best quality reception. UTV is the largest operator of DAB multiplexes in the Greater London area with shareholdings in two of the three licences and also operates multiplexes in Aberdeen, Central Scotland, Swansea, Bradford and Huddersfield and Stoke-on-Trent.
- 4.3. Despite our leading position in digital radio, UTV Radio's strong view is that no discussion of analogue switch off should take place before all existing analogue stations have a clear and viable digital migration path, should they so wish. UTV Radio has eight local stations that currently have no clear digital migration path (Wolf in Wolverhampton, Wire in Warrington, Wish in Wigan, Radio Wave in Blackpool, Tower in Bolton, Wave in Dundee, Imagine in Stockport and Valleys in South East Wales). While Ofcom is under no obligation to secure a digital future for these (or any other) local services, not to provide a digital path for these stations (and instead terminating their analogue licences) would limit digital take up in their local areas, and reduce the availability of local programming in those areas (both of which outcomes conflict with Ofcom's objectives). These are the very stations that broadcast the exceptionally localized type of output which Ofcom is so keen to promote.
- 4.4. Proposals to "switch off" AM, we believe, are premature. talkSPORT (our national AM speech service) in its latest RAJAR figures recorded its highest ever market share since the station launched as Talk Radio in 1995 at 2.0%.
- 4.5. As regards our national analogue service, we would also suggest that rather than re-auction this spectrum in 2012, Ofcom should seek legislative change in order that they can re-award all three national analogue services so as to help promote the smooth transition to digital. The INR's have played a key role in the promotion of DAB to-date and could continue to have a key role in promoting the future migration plan (as determined by the proposed cross-party working group). Furthermore, we would suggest that should new national services come on-air following re-auction of the spectrum, these new services will not have any incentive to migrate their analogue listenership and promote the transition to digital.
- 4.6. Finally, while we gain some comfort from Ofcom's repeated references that any future plans need to include the BBC, we would welcome explicit assurance from Ofcom that the commercial sector will not be forced to relinquish any spectrum (AM or FM) while the BBC retain it. Specifically in this regard we reiterate our view that the talkSPORT

speech service should remain on AM for as long as BBC Radio 5 Live is also broadcasting on AM.

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.

4.7. While this proposal at first glance appears a sensible solution to extend DAB licensed areas in the UK given the limited availability of DAB spectrum to achieve greater coverage, the issue remains that many multiplexes are full so this action would not necessarily allow analogue services not currently on DAB to achieve a digital migration path. Also by extending the PPA, may if filled, extend coverage of some services to areas that have no relevance to them in attracting listeners. In addition, there remains the issue of paying for the increased coverage, and whether all service providers currently on the affected multiplex would be willing to cover their proportion of the higher transmission fees. In this event, would Ofcom be willing to compensate multiplex operators and/or service providers for the extended coverage? Another issue that could arise from extending licensed areas is unwanted interference that could damage 'served population' in 1st, 2nd or 3rd adjacent channels. Would the 'interferer' multiplex be expected to compensate for the lost coverage, or could the 'interfered' multiplex increase power to compensate? We would be interested to understand from Ofcom what particular licences it has in mind in this regard.

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).

4.8. In accordance with the RadioCentre submission, we support the creation of a cross-party working group to begin looking into the future digitization of radio. This should happen now, and not at the arbitrary dates proposed above.

4.9. However, specifically in relation to this proposal, while we accept the need for Ofcom to have sufficiently flexible regulatory tools to deploy the broadcast networks of the future, we totally disagree that the AM and FM bands should be treated differently. We see no logical reason for the difference in review methodology employed by Ofcom between AM and FM. Ofcom's share of listening argument (versus FM) is not equitable and is logically inconsistent. Just because total AM listening is lower than FM why should the review dates be different? We would welcome further justification from Ofcom as to why it holds this position. Furthermore, we are strongly of the opinion that any sensible review of the future of radio should consider both regulated wavebands at the same time. To plan in isolation makes absolutely no sense, in our view, particularly as many commercial radio companies operate both AM and FM services, as do the BBC, and community radio.

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

4.10. Similarly to the RadioCentre, we also have no useful comments to make on this suggestion since it looks so far into the future as to be impossible for us to judge at this point.

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

4.11. This matter should be considered by the digital working group proposed by the RadioCentre.

4.12. We concur with the view that too little work has been done on mapping a digital future to set such firm dates in stone now. As primary legislation will be required to advance a digital migration plan for radio, and as the industry's agreement to that plan will be essential, decisions such as how to synchronise end dates of licences should be considered as part of a wider plan rather than agreed on a piecemeal basis.

4.13. In addition, irrespective of our view on the end date proposed, we firmly believe setting a termination date for any analogue licence should not be done until that licence has a clear digital migration path.

4.14. Furthermore, we are deeply sceptical that 2015 is in any way a "sensible" end date for licence expiry for a number of reasons.

- [\[CONFIDENTIAL\]](#)
- The end date seems to ignore the structural differences between radio and television. Digital migration in radio will not be the same as television given the differences in the way the two media are consumed and the mobile element to radio listening (particularly in-car listening) where one fifth of all listening to radio takes place out of the home. We have undertaken an analysis of the in-car market (set out in Appendix 1). In summary, at the end of 2015, in-car DAB penetration will be only 43%, and even assuming some aggressive forecasts of DAB radio installation into new cars, the analogue in-car market will still account for over 10% of total commercial radio revenues in 2015. To lose such a significant amount of audience through "switch off" would have massive implications for industry profitability
- Much of Ofcom's plans assume a role for DRM. However, despite the technical qualities of DRM, what this end date does not appear to take account of is the availability of suitable receivers. DRM is a long way from the high street and a mass consumer proposition. It is too early to provide any reliable forecast of set penetration, especially in regard to the price elasticity of demand, and more work is required. Until this has been done, which would be part of the responsibilities of the working group, we cannot rule out the possibility that DRM for domestic broadcasting could suffer complete market failure. Even in the more mature DAB receiver market, the radio industry is having major problems in convincing mobile phone and mp3 manufacturers to install DAB chipsets into devices. To introduce a further standard will no doubt cause even more resistance.

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.)

4.15. While we are happy that the renewal provision should be considered as part of the working group's remit, our own feeling is that this proposal would unfairly penalize those stations that currently do not have a DAB migration path (whether commercially viable or not). UTV Radio owns and operates eight ILR licences that currently have no available DAB multiplex options (Wolf in Wolverhampton, Wire in Warrington, Wish in Wigan, Radio Wave in Blackpool, Tower in Bolton, Wave in Dundee, Imagine in Stockport and Valleys in South East Wales). In addition, it is entirely possible that these stations will never have one.

4.16. Furthermore, removal of the renewal provision would act as a disincentive for operators to go digital, (even if there was a suitable multiplex for them to go on with sufficient space for their service) which will in turn hamper and slow the uptake of DAB radio by consumers.

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 years' 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.

4.17. We believe this proposal should be considered as part of the working group's remit, however with regard to the two-year notice period, this period is too short, commercially unrealistic and should be extended to a minimum of five years.

4.18. [\[CONFIDENTIAL\]](#)

4.19. [\[CONFIDENTIAL\]](#)

4.20. Furthermore, a time horizon less than five years will adversely affect investment decisions and capital projects, and could also have significant implications for listed public company valuations (not least in terms of fair value adjustments).

5. Response to 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.

- 5.1. We accept the need to separate spectrum and technology within current legislation but (in accordance with the RadioCentre's response) propose that a limited set of approved spectrum/technology standards are maintained to provide certainty to manufacturers and simplicity to consumers.

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 licences 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.

- 5.2. Like the RadioCentre, we too are unclear on the detail of Ofcom's thinking here and propose this topic be included in the agenda of the proposed working group.

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.

- 5.3. We refer to the RadioCentre response on this proposal but also believe that, given the uncertainties about the future of digital radio, it is too early to come to a view on this specific point.

6. Response to 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 service 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.

- 6.1. We concur with the response on this issue submitted by the RadioCentre and agree that as a general principle the choice of bit-rate for any particular service should be based on factors such as the service format (speech/music etc) and left to the discretion of the broadcaster and multiplex operator. Clearly no broadcaster would deliberately inflict sub-standard audio on its listeners. It follows from this position that the choice of mono or stereo operation should be a matter for the broadcaster and should not be subject to Ofcom intervention.
- 6.2. After discussion with the DAB multiplex licensees, The Technical Policy Guidance for DAB Multiplex Licensees lays out an agreed set of procedures for the monitoring of DAB audio quality. We believe these procedures are an adequate form of regulation and there is no need for further intervention or further consultation.

7. Response to Proposal 6

The characteristics of community radio, based around social gain provided by stations on a not-for-profit basis remain key. However, there may be an argument for simplifying the statutory selection criteria, and the regulation of funding and ownership without losing the essence of what community radio has been set up to achieve.

- 7.1. UTV Radio is concerned by Ofcom's proposals for community radio and strongly urge Ofcom to make no changes to the sector without first undertaking the upcoming two-year review.
- 7.2. In addition, Ofcom's proposals appear inconsistent with statements made elsewhere in the consultation concerning the commercial sector. For example, 12 of the 16 proposals set out for community radio require legislative change yet changing legislation for the commercial sector seems "difficult" elsewhere. Furthermore, where in paragraph 4.183 Ofcom argue against abolishing radio ownership rules because they were only put in place three years ago, they are in the same document proposing wholesale changes to the community radio sector despite still having to undertake its two-year review.
- 7.3. In relation to Ofcom's specific proposals, we respond as follows:

6.1*: The characteristics of community radio services, as included in the Community Radio Order 2004, should be retained, but the definition of "social gain" should be reconsidered.

- 7.4. We totally reject any move to reconsider social gain, as diluting this aspect will invite stations to become more commercially focused, damaging the commercial sector. Social gain has always been put forward as the *raison d'être* of Community Radio and it should stay.
- 7.5. We also refer to the RadioCentre's response as we also find no evidence that the current definition of social gain is excluding potentially valuable Community Radio stations from being licensed. Until such evidence is presented, we believe it would be inappropriate to propose such a fundamental change.

6.2*: The statutory criterion regarding the ability to maintain the service should be reconsidered such that Ofcom could be required to have regard to the ability of an applicant to establish and maintain its proposed service for the first year of the licence period.

- 7.6. We have no specific issues with this proposal.

6.3*: The statutory criterion which requires Ofcom to have regard to the extent to which a proposed service would cater for the tastes and interests of the community to be served should be reconsidered.

- 7.7. We disagree. The requirement for a station to demonstrate the extent to which a new service would cater for tastes and interests should remain, as it safeguards against people launching stations of absolutely no relevance.

6.4*: The statutory criterion which requires Ofcom to have regard to the extent to which a proposed service would broaden choice should be reconsidered.

- 7.8. We disagree. Any community radio service should broaden choice and especially when compared with existing commercial radio stations. We see no reason for changing this requirement.

6.5*: The statutory criterion which requires Ofcom to have regard to the extent to which there is evidence of demand, or support, for a proposed service should be reconsidered.

7.9. We disagree. We believe there has to be support for the service being offered. Furthermore, the criterion states “demand or support” so demonstrating the extent of one of the two will suffice. Given this flexibility, groups do not necessarily have to spend money on research (to demonstrate demand), which appears one of Ofcom’s reasons for proposing the change. The statutory requirement should not therefore change.

6.6 The statutory criterion which requires Ofcom to have regard to the extent to which a proposed service would deliver social gain should be retained.

7.10. Agreed.

6.7*: The statutory criterion which requires Ofcom to have regard to an applicant’s proposals as to how to render himself accountable to the target community should be reconsidered.

7.11. We disagree. Applicants should be very clearly accountable to the target audience they are pledging to serve.

6.8*: The statutory criterion which requires Ofcom to have regard to the provisions an applicant proposes to make in order to allow for access by members of the target community to the station’s facilities and for their training in the use of those facilities should be reconsidered.

7.12. We disagree. Access is a key plank of community radio and any reduction in this commitment is unthinkable.

6.9*: It is important for a community radio station not to receive all of its funding from a single non-commercial source. However, it may be that there is a case for increasing or removing the current maximum percentage limit on funding from a single non-commercial source. Ofcom welcomes views as to what the appropriate limit should be.

7.13. These rules were set only three years ago and we strongly believe there should be no change until the first community stations end their five-year licences.

7.14. Furthermore, a lack of funding from a range of people would suggest a lack of support for the idea, and would make stations much more vulnerable to collapse when a major backer pulls out.

6.10*: It would be possible to take into account volunteer time when assessing the turnover of a community radio service. Ofcom welcomes views on this issue and on how the value of such input could be calculated.

7.15. We disagree with this proposal and concur with the RadioCentre example of how changes in this regard could open up stations to generate a significant proportion of their income from advertising and/or single sources.

7.16. We also concur with the RadioCentre view that changes in this regard could prove a time consuming distraction and that it is not appropriate to use a back-door method to deliver changes to Community Radio’s funding.

6.11 There should be no changes to the categories of person prohibited from holding a community radio licence.

7.17. Agreed

6.12*: The current rule requiring that no body corporate may hold more than one community radio licence should be reconsidered.

7.18. We disagree with this proposal. We believe that the relaxation of this ownership rule would work against the core objectives of the project. Community stations will no longer be “owned” by their respective communities. Furthermore, joint ownership opens up the possibility of ‘professional’ community radio networks, with potentially networked community programmes appearing over time.

6.13 Ofcom needs to ensure that community radio services operate within the terms of the relevant legislation. The process of feedback has not yet begun, as no station has been on-air long enough. It is not therefore possible to assess the advantages or shortcomings of the existing system. For this reason, Ofcom is not proposing specific alterations to the level of feedback required at this time.

7.19. Agreed

6.14*: Community radio licences should be eligible to be extended for up to a further five-year period, subject to meeting specified requirements, on one occasion only. The period of extension for some licences may be less than five years, should that be necessary to achieve a common end-date for all analogue radio services.

7.20. Agreed

6.15*: There may be a case for removing all of the current restrictions relating to the economic impact of licensing community radio services. Ofcom will be conducting further assessment in this area, with a view to bringing forward proposals for consultation later in the year as part of our review for the Secretary of State. In the meantime we welcome views on these matters.

7.21. We (like the RadioCentre) are not aware that any such case has been convincingly made on the basis of any evidence. We refer Ofcom to the evidence submitted by the RadioCentre as part of their submission document which suggests that, not only is it too early to consider making changes in this area, but that such changes could be damaging to the smallest and most community-critical commercial radio stations.

6.16 The coverage of community radio services will still be restricted by frequency availability constraints, and Ofcom will continue to need to weigh up the relative merits of alternative licensees, for example where it might be possible to licence two small stations or only a single larger service, when deciding on the best use of the available spectrum resources.

7.22. Agreed.

Appendix 1: In-car market analysis

Using data from the Society of Motor Manufacturers and Traders (SMMT), and DRDB estimates of current in-car DAB penetration and the number of new vehicle models that are offering DAB enabled cars, we have undertaken an analysis of the in-car DAB market and its importance for the commercial radio sector generally (and talkSPORT in particular).

Using historic data from the SMMT, SMMT estimates for new car registrations and scrapage for 2007 and 2008, we have built a long range forecast for UK parc (i.e. the total number of cars on the road in the UK) to 2022.

	UK parc	New car registrations	Net growth in UK parc	Scrapage	Scrapage as % of parc
2000	27,959,691	2,221,647	420,531	-1,801,116	6.4%
2001	28,604,238	2,458,769	644,547	-1,814,222	6.3%
2002	29,320,899	2,563,631	716,661	-1,846,970	6.3%
2003	29,895,832	2,579,050	574,933	-2,004,117	6.7%
2004	30,267,204	2,567,269	371,372	-2,195,897	7.3%
2005	30,674,000	2,439,717	406,796	-2,032,921	6.6%
2006	30,920,000	2,344,864	246,000	-2,098,864	6.8%
2007	31,166,000	2,335,000	246,000	-2,089,000	6.7%
2008	31,412,000	2,335,000	246,000	-2,089,000	6.7%
2009	31,639,578	2,379,069	227,578	-2,151,491	6.8%
2010	31,822,869	2,379,069	183,291	-2,195,778	6.9%
2011	31,964,428	2,379,069	141,559	-2,237,510	7.0%
2012	32,066,757	2,379,069	102,329	-2,276,740	7.1%
2013	32,132,300	2,379,069	65,543	-2,313,526	7.2%
2014	32,163,438	2,379,069	31,138	-2,347,931	7.3%
2015	32,162,483	2,379,069	-955	-2,380,024	7.4%
2016	32,131,676	2,379,069	-30,807	-2,409,876	7.5%
2017	32,073,183	2,379,069	-58,493	-2,437,562	7.6%
2018	31,989,092	2,379,069	-84,091	-2,463,160	7.7%
2019	31,881,411	2,379,069	-107,681	-2,486,750	7.8%
2020	31,752,067	2,379,069	-129,344	-2,508,413	7.9%
2021	31,602,903	2,379,069	-149,163	-2,528,232	8.0%
2022	31,435,682	2,379,069	-167,221	-2,546,290	8.1%

Source: Historic figures to 2006 plus estimates for 2007 and 2008 from the SMMT.

On top of this analysis we have layered estimates for the number of new cars that will be DAB enabled. According to the DRDB, there are approximately 100,000 DAB enabled cars currently in the UK, equivalent to 0.3% of UK parc. Using data from the number of models that will either line-fit DAB radios in the near future as standard (or give it as a factory fitted option), we have derived an estimate of the percentage of new cars over the period 2007 - 2012 that will come installed with DAB. In estimating this variable, we have taken account of the long lead times and planning cycles that consumer electronics and car manufacturers work to, and have assumed that to get to a position where 100% of new cars sold in the UK are DAB enabled will take at least five years from today.

	New car registrations	% of new car registrations with DAB	Installed in-car DAB base	UK parc	DAB in-car penetration
2006	2,344,864		100,000	30,920,000	0.3%
2007	2,335,000	15%	450,250	31,166,000	1.4%
2008	2,335,000	20%	917,250	31,412,000	2.9%
2009	2,379,069	25%	1,512,017	31,639,578	4.8%
2010	2,379,069	50%	2,701,552	31,822,869	8.5%
2011	2,379,069	75%	4,485,853	31,964,428	14.0%
2012	2,379,069	100%	6,864,922	32,066,757	21.4%
2013	2,379,069	100%	9,243,991	32,132,300	28.8%
2014	2,379,069	100%	11,623,060	32,163,438	36.1%
2015	2,379,069	100%	14,002,129	32,162,483	43.5%
2016	2,379,069	100%	16,381,198	32,131,676	51.0%
2017	2,379,069	100%	18,760,267	32,073,183	58.5%
2018	2,379,069	100%	21,139,336	31,989,092	66.1%
2019	2,379,069	100%	23,518,405	31,881,411	73.8%

2020	2,379,069	100%	25,897,473	31,752,067	81.6%
2021	2,379,069	100%	28,276,542	31,602,903	89.5%
2022	2,379,069	100%	30,655,611	31,435,682	97.5%

UTV Radio analysis

What the analysis shows is that even assuming an aggressive ramp up in DAB enabled new cars, 90%-plus levels of in-car penetration cannot be expected for at least another 15 years. While this analysis does not take account of after-market upgrades, experience of the low number of receiver models currently available and high cost of DAB car units demonstrates that the level of this activity will need to pick-up considerably if this time horizon is to be materially compressed. Furthermore, we seriously doubt that simply setting an analogue switch-off date will be sufficient to drive this process.

Looking at the situation at the end of 2015 (Ofcom's 'sensible' estimate of a common analogue licence expiry date), in-car DAB penetration will be only 43% (i.e. there will be approximately 14m cars fitted with a DAB radio and 18m without).

Using estimates of overall UK radio revenues, UK commercial total hours, and UK commercial in-car hours (currently at 19% of total hours), we estimate that the in-car market will be worth £143m to the commercial sector in 2015. Taking our assumption of DAB penetration at this time, the non-DAB in-car market will be worth £81m. Therefore, even assuming some aggressive forecasts of DAB radio installation into new cars, the analogue in-car market will still account for over 10% of total commercial radio revenues in 2015.

	UK radio revenue (£m)	UK comm. hours (millions)	In-car hours at 19% (millions)	Value of non-DAB in-car hours (£m)	Profit impact of lost in-car listeners (£m)	Industry profit at 20% margin (£m)	Likely overall drop in industry profit from lost in-car hours
2006	582	454	86	110	88	116	-75.8%
2007	582	459	87	109	87	116	-74.9%
2008	596	463	88	110	88	119	-73.8%
2009	614	468	89	111	89	123	-72.4%
2010	636	472	90	111	88	127	-69.5%
2011	658	477	91	107	86	132	-65.3%
2012	681	482	92	102	81	136	-59.7%
2013	705	487	92	95	76	141	-54.1%
2014	729	492	93	89	71	146	-48.5%
2015	755	497	94	81	65	151	-42.9%
2016	781	501	95	73	58	156	-37.3%
2017	809	507	96	64	51	162	-31.5%
2018	837	512	97	54	43	167	-25.8%
2019	866	517	98	43	35	173	-19.9%
2020	897	522	99	31	25	179	-14.0%
2021	928	527	100	19	15	186	-8.0%
2022	960	532	101	5	4	192	-1.9%

Source: RAJAR, RAB, UTV Radio analysis

Furthermore, it is not just the revenue implications that need to be understood. Given the fixed cost nature of the radio business model, losing these in-car listeners would have a material impact on industry profits. Using some not unreasonable assumptions, we estimate that "switching off" these analogue in-car listeners (again taking the 2015 common expiry date) could impact industry profits by over 40%, which would have dramatic implications - not least on sector valuations. Clearly, those broadcasters more highly exposed to the in-car market (such as talkSPORT) would suffer disproportionately more than those who were not.

For talkSPORT the issue becomes even more severe, given that in-car hours represent 27% of the station's total hours, a figure over 42% greater than the average for all UK commercial radio. Re-running the analysis based on published talkSPORT revenue and audience figures, and using similar growth and margin assumptions as in the industry example before, if Ofcom enacted their 'sensible' switch off date for the talkSPORT AM licence, the station would lose approximately 3m hours of non-DAB in-car listening overnight. Using similar assumptions as in

the previous example, this equates to a revenue loss of £3.8m. Finally, working through the profit impact, the loss of analogue in-car hours could negatively impact talkSPORT profitability by in excess of 60%.

In summary therefore the analysis above begins to demonstrate that taking a blanket view on digital penetration ignores a major structural difference from the television market - that one fifth of all listening to radio takes place out of the home and that contemplating a "switch off" of analogue in 2015 will not be in the interests of the consumer, or of the commercial radio industry. Increasing the penetration of in-car digital receivers is not something that can be easily speeded up.

A more substantial analysis and consideration of the cost implications for the industry and the public is required and this should be a key task for the cross industry working party.