

26 October 2006

emap radio Response to Ofcom Consultation

'Future pricing of spectrum for terrestrial broadcasting' - AIP

emap welcomes the opportunity to comment on this matter which is widely referred to as Administrative Incentive Pricing or AIP.

emap radio has significant interests in DAB as both a multiplex operator and content provider. As a multiplex operator we control 12 multiplex licences and have equity interests in 6 others. We provide over 110 digital sound programme services across the UK on 40 local multiplexes. Emap radio is also the largest radio service provider on Freeview-DTT and more widely our sister company emap performance, is a provider of television service also on Freeview-DTT.

emap radio is a member of the RadioCentre, the sectors representative body. RadioCentre will submit a detailed response on behalf of its membership and emap supports that response, the key points of which are summarised below. We will also make some further specific points on behalf of emap radio and emap performance.

Key-points of RadioCentre Response

- Commercial Radio has played, and continues to play, a significant role in developing digital radio in the UK.
- A negative impact on investment in digital radio may be an unintended consequence of the policy of AIP.
- The introduction of AIP will negatively impact on Commercial Radio's ability to compete as a multi-platform medium
- Ofcom's proposals for implementing AIP fail to balance social as well as economic duties. They depend on the future introduction of other methods by which to support the delivery of socially important outcomes of broadcasting (such as universality of access to a diversity of services from a plurality of providers).
- If AIP is to improve efficiency of spectrum usage, it must be accompanied by a simultaneous relaxation of the restrictions on spectrum usage by broadcasters, not simply a promise to discuss such relaxations.
- The BBC is presently the only terrestrial broadcaster in control of its own spectrum usage yet, since it will recoup its AIP costs through the licence fee payer and because the proposed charges represent a relatively small proportion of its budget, it will not be genuinely incentivised to use its spectrum more efficiently.



- Given the relative progress made towards switchover in digital radio and television, the implementation of AIP for Commercial Radio should be deferred until after, at least, the implementation for digital television.
- A proper independent evaluation of the impact of AIP on digital radio should precede any decisions from Ofcom as to the level or timing of the introduction of AIP for radio.

Further emap Points

1. Effectiveness of AIP on Spectrum Efficiency of Broadcast

We question more generally the effectiveness of the AIP proposals on broadcast to deliver efficiencies in spectrum usage. Ofcom has designated in Broadcast licences and through the Geneva 06 Agreement that spectrum allocated in the UK to DAB and DTT is for those specific purposes. Hence the release of the spectrum for alternative usages is neither possible nor relevant.

We also note that the introduction of AIP on only one of the Digital Television Platforms, DTT, will in itself distort the Digital Television Market.

2. AIP on Local DAB

Emap disagrees with the Ofcom proposal to introduce AIP to local DAB in 2012.

Ofcom proposes to introduce AIP to all DAB from a single date in 2012 and notes clear demand for alternative applications for this spectrum and the 'increasing use of DAB capacity to carry non-sound broadcast services' to justify this.

The 2012 date appears to have been set to be beyond the renewal date of the national Digital One licence, However it will come before the renewal of the more than forty local DAB licences.

We would also point out that the introduction of commercial non-sound broadcast services is uniquely a feature of national rather than local DAB. Local DAB investment comes exclusively from radio operators none of whom is yet able to make a return on investment in DAB infrastructure and new content.

In Summary:

- AIP will present a further obstacle to justifying investment in the second twelve-year term of local DAB licences
- Local DAB does not benefit in the same way as national DAB from the introduction of commercial non-sound broadcast services
- The proposed 2012 date reflects the development status of the one national DAB multiplex but not the 40 plus local DAB multiplexes.



We support the RadioCentre call for a proper independent evaluation of the impact of AIP on digital radio to precede any decisions from Ofcom as to the level or timing of the introduction of AIP for radio.

Whatever the outcome of that evaluation, emap radio proposes that if a decision is confirmed to introduce AIP to DAB, then it should not be introduced on Local DAB licences earlier than 2016 by which date ALL current local DAB licences will have completed their initial term; and preferably only at the end of the second term of each such licence, i.e. from 2024 onwards.

emap radio

