

OUR RESPONSE

This is a response from Manchester DAB CIC, a company currently operating a DAB+ radio multiplex across Manchester, a city regarded by many as the music capital of the UK.

Adjoined to this response are two other companies, City West Digital CIC and South of the River Digital Radio Ltd. Both these companies have been awarded licences to build DAB+ multiplexes in London and will launch in 2025.

In the documentation relating to the BBC's proposals for new DAB+ radio services, it appears that no account has been taken of the UK's principal tier of DAB+ broadcasting.

We explain more about this tier below, so as to inform the BBC, Ofcom and other interested parties and explain the overwhelming negative impact the BBC's proposals, if enacted, will have on our businesses.

The UK's principal tier of DAB+ broadcasting explained

A Government initiated; Ofcom licensed; tier of digital DAB broadcasting exists in the UK.

This tier of broadcasting is one of scale and the impacts upon it, should the BBC's proposals be approved, will in all probability be catastrophic to this sector.

In the absence of evidence that the BBC has considered how its proposals would affect this broadcasting tier, the Corporation's assessment of the economics of UK broadcasting is undermined and possibly this shortfall, places in doubt, the assumptions made throughout most of its assessment relating to its Public Interest Test.

The paragraphs below set out in outline terms, this broadcasting tier, its scale, and the economic fragility of the type only to be expected from a new broadcast licensing regime. Our answers to Ofcom's six consultation questions follow, and should be considered in the context of the following:

Overview

DAB+ technology has been pioneered in the UK through a Government-led and Ofcom-licensed radio regime known as Small-scale DAB. This platform comprises licensed broadcast radio multiplexes broadcasting almost exclusively in the DAB+ format and operates at the local level.

In total 30.3% of the UK adult population will, in the coming months, be reached through 115 licensed DAB multiplexes and these numbers are set to grow. This coverage figure is larger than the total combined number of weekly listeners to BBC Radio 1, Radio 1Xtra, Radio 3 and Radio 5 Live.

Many Small-scale radio multiplexes serve or will serve prominent cities in the UK: London (3 operators), Glasgow, Edinburgh, Cardiff, Belfast, Manchester, Leeds, Birmingham, Bristol, Sheffield and Liverpool to name a few. It is noteworthy that these licensed areas serve a total adult population in excess of 13.3 million adults, the same number of listeners reached by BBC Radio 2.

The point of this emphasis is twofold.

Firstly, in this case the term 'small-scale' might be regarded as misleading and;

Secondly, it is argued that this tier of UK broadcasting deserves to be carefully considered when assessing any impact resulting from the BBC's proposals, which will without doubt, profoundly affect this UK broadcasting tier in a wholly negative manner.

How it works and how it has developed

To explain, each Small-scale DAB radio multiplex, using DAB+ technology can carry in the order of 26 radio services in near FM equivalent audio quality. It is important to understand that DAB+ technology while established overseas for many years, has only become adopted by national broadcasters in recent months. By comparison, Small-scale DAB radio under trial conditions, has been transmitting DAB+ in the UK for over eight years, taking on considerable commercial risk. This makes the BBC and large commercial radio groups the 'Johnny come latelies' in the DAB+ environment.

It would appear, following the risk taken by the small-scale DAB+ pioneers and observing positive listener engagement, that commercial radio saw the clear economic advantage of being able to broadcast more radio services from the same radio multiplex infrastructure. It may be argued that the BBC's proposals merely amount to a reaction to these developments, and rather than following the demands of listeners, some might say, the Corporation has sought to back-fill or bolster its proposals in a contrived manner.

The operating arena and licensing regime

It is important to appreciate the licensing demands placed on each small-scale DAB radio multiplex operator because these services do not operate under 'normal' market conditions. Unlike commercial radio and its transmission provider, Small-scale DAB has a number of licence conditions placed upon it by Ofcom, which constrains its ability to trade in a free manner.

These include -

- the calculation of the extent of coverage,
- the delivery of community social gain, itself a public value, and
- the financial model which prevails for this digital broadcasting tier.

In the non-BBC world, the sale by a radio multiplex operator of carriage capacity to radio services (stations) is the only source of income such an operator has.

In the case of Small-scale DAB radio multiplex operators, carriage capacity is ring-fenced. In its licence conditions, the capacity to carry up to nine radio services is kept aside exclusively for use by community not-for-profit radio services. These services are mandated to deliver social gain and add public value through the radio landscape. This capacity is traded at well below the market value and sometimes sold at a peppercorn, as a way to help these not-for-profit radio stations.

The remaining capacity is available to commercial and other licensed operators who typically serve or super-serve niche audiences. With up to a third of capacity in effect devoted to good causes, there is, inevitably, a constant drag on fiscal performance. This can be verified¹ by Ofcom.

This means that the effects of a market disruption, such as the introduction of new competing services as specified in the BBC's proposals, will impair the already finely balanced financial performance of Small-scale DAB per se.

The radio services currently carried

Turning to radio service programming and the description of services carried on small-scale DAB, it is not unusual for the multiplexes which serve the UK's major cities, to carry in DAB+

¹ As part of a Small-scale DAB multiplex operator's Licence Conditions, the broadcaster is required to submit periodic returns to Ofcom specifying the programme services carried on the multiplex. This includes details of carriage revenue received. Ofcom is also empowered, under separate Licence Conditions, to request further financial information, such as operating costs. Each legal entity must also submit annual reporting documents to Companies House which become a matter of public record.

- dance music radio stations (each serving various sub-genres)
- radio stations which target their audiences by other musical tastes and preferences, and
- services which appeal to listeners by age.

To date Ofcom has issued licences for 292 unique radio services for this platform 65% being newcomers to terrestrial radio broadcasting; 29% of these delivering themed music services while 9.5% of these delivering life-stage/lifestyle services. [Source Ofcom: Small-scale DAB licensing Progress Report, October 2024].

From this we would maintain that it is entirely reasonable to conclude that the BBC’s proposals would, in audience terms, overlap substantially with these existing radio stations and impact directly on the financial viability of many of these vital grass roots radio services.

Conclusion

This comparatively new tier of broadcasting, comprising both the multiplex operators and the services they carry, are in their early years of development and yet to become firmly established. This leaves this important tier of UK digital broadcasting exposed and vulnerable to market failure as a direct result of the BBC’s competitive proposals.

This is something we believe that Government would not wish to see.

The factors described above indicate that this tier of digital DAB broadcasting is too large to be ignored, yet that is what appears to have happened. Furthermore, the impact caused by the BBC’s proposals will be too great and too harmful and would make operating at this local level unsustainable.

Your response

Question	Your response
<p>Question 1: We consider that the launch of the four DAB+ music stations and the extension of broadcast hours for BBC 5 Sports Extra are material changes. If you disagree, please explain why you consider the BBC’s published proposals are not material.</p>	<p>Confidential? – N</p> <p>We agree. The BBC’s proposals are material.</p>

Question	Your response
<p>Question 2: Do you consider that the BBC’s published proposals are clear in relation to their scale (both in terms of financial resource and in terms of reach and type of content) and the timescales for implementation? If not, please provide details of the areas where you feel more clarity is required.</p>	<p>Confidential? – N</p> <p>No.</p> <p>Based on the evidence published, the BBC’s assumptions are flawed because they fail to take full account of the UK radio market as a whole, its programme services and its economics.</p> <p>It follows that this undermines other arguments put forward by the Corporation.</p>
<p>Question 3: Did the BBC’s PIT consultation processes provide suitable opportunity for you to set out your views fully? If not, please provide details.</p>	<p>Confidential? – N</p> <p>No.</p> <p>While the structure and process of the BBC’s PIT consultation may have provided suitable <u>opportunity</u>, the BBC’s outreach described as “<i>an extensive engagement process with the audio and music industry</i>” is found wanting.</p> <p>There appears no evidence whatsoever of the UK DAB+ broadcasting sector being approached.</p> <p>This has resulted in valuable information from being duly considered in relation to this sector.</p>
<p>Question 4: Given that both proposals raise a number of contentious issues, it is our intention to undertake full BCAs for both. If you disagree and think that Ofcom should undertake Shorter Assessments, please explain why.</p>	<p>Confidential? – N</p> <p>Agreed. Full BCAs should be conducted.</p>
<p>Question 5: Do you agree with the BBC’s assessments in its PITs about the potential public value and/or market impact of the</p>	<p>Confidential? – N</p> <p>The BBC’s assessment is incomplete.</p>

Question	Your response
<p>proposals? Are there any additional public value and/or competition considerations that have not been identified by the BBC?</p>	<p>The public value and market impact on a whole sector of UK broadcasting does not appear to have been considered.</p> <p>We do not agree.</p>
<p>Question 6: Do these proposals lead to any significant market impact concerns which might affect your own services? If so, please explain how the BBC's proposals would affect your services if they go ahead.</p>	<p>Confidential? – N</p> <p>Yes.</p> <p>The significant market impact concerns and how a whole sector of UK broadcasting comprising radio multiplex operators and the services that they carry would be affected (should the BBC's proposals be enacted) are examined in the first part of this document.</p> <p>The BBC's proposal would cause many radio services carried on Small-scale DAB radio multiplexes to face financial unsustainability. This, in turn, would drag the multiplex operations themselves towards a market failure across the sector.</p>

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