



A Parliamentary forum for Media and Marketing Debate

## Is a digital switchover date crucial to secure radio's future?

**“Without a firm digital switchover date radio is in serious danger of catastrophe”. These were the warning words of Ralph Bernard, Chairman, Digital One and Classic FM, proposing the motion ‘A digital switchover date is crucial to secure radio’s future’ at the Debating Group debate at the House of Commons on 28 January 2008. The debate was sponsored by RadioCentre and chaired by Jeremy Hunt MP, Shadow Secretary for Culture, Media and Sport.**

Stressing that the radio broadcasting industry needs a switchover date for its future success, Ralph Bernard began by looking at the history of digital radio. “We saw the opportunity afforded by more spectrum – almost all of it commercial; we were encouraged (or seduced) by Government with the most extraordinary offers to extend licences in return for commitment to go digital”. Digital offers a wonderful creative opportunity for broadcasters to reach out to listeners at a time of unprecedented competition from other forms of information and entertainment sources.

Ralph Bernard pointed out that it had been a long and on occasions very lonely path towards the digital future. But today, with six and a half million sets having been sold, there is, for the first time, a real sense of traction in the field of digital radio. To put this into context – it took five years to sell the first million sets, but in December 2007 alone more than half a million sets were sold.

From the consumer perspective ‘they’ve never had it so good’. The sound quality for the majority is far superior to analogue radio, the information text services that run with traditional broadcasts are bringing new forms of interactivity for listeners, and the choice of programmes is varied and wide. And yet, Ralph Bernard contended, to those in the industry, on the other side of the microphone, it feels pretty gloomy. Digital radio is about to enter its most critical phase of development in its short history and if we do not get a switchover date there is a serious chance it will fail.

Failure seemed inconceivable to those who were convinced that when every other form of media was going digital, radio could not be left stranded in some analogue backwater. But radio, so often playing second fiddle to TV in the minds of regulators and government, has been abandoned to fend for itself in a terrifying mixed cocktail of a world of technological change, massive competition and demands of shareholders. Over the past ten years commercial radio has had to compete with a well-funded BBC, producing excellent programmes on all its channels, at the same time as investing around £150 million in creating the environment for digital radio to be successful.

Digital radio cannot be a success through the BBC alone. The BBC and commercial radio need each other. It was therefore essential that commercial radio came to the digital party. It did – ten years ago with the start of Digital One. It was commercial radio which created new and exciting formats, Planet Rock, One Word, Primetime Radio, a 24 hour news channel, and, more recently, a 24 hour jazz channel. It was commercial radio which invested – with no immediate prospect of a return – millions of pounds in building a transmitter network. It was commercial radio which invested in the technology to create the chip necessary to bring

down the cost of digital radios. It was commercial radio which was the driving force behind the launch of the Digital Radio Development Bureau, the cross industry body, including the BBC, which has been one of the main reasons for the sales success of digital radios to date. It is commercial radio which has spent millions marketing the concept of digital radio and not just on specific programmes or channels. In other words commercial radio has been at least equal to the BBC in being the driving force behind digital radio to date.

But commercial broadcasters, along with traditional media, are having a tough time of it right now. Shareholders are questioning how long it will be before digital radio takes a hold to provide a decent return.

As revenues become ever harder to earn companies are having to spend a huge amount of money in transmission costs alone for both analogue and digital broadcasts. Ralph Bernard pointed out that the company he was leaving next month spends £8 million a year on transmission costs for analogue programmes and £15 million a year on digital. "That's £15 million which could be invested in programmes, structure or dividends to shareholders who want to continue to support radio".

The problem for all radio, not just commercial, is that the willingness to continue to subsidise digital radio, with no guarantee of an end date to the dual transmission costs is almost exhausted. In the past two years we have lost four channels on Digital One because the money is running out. That is no good for companies, shareholders or consumers.

Last year Ofcom offered a second national multiplex, despite warnings that it would damage, not help, the fragile ecology of the digital radio industry. Already the proposed line-up is changing with services for that multiplex having second thoughts about the wisdom of investing millions of pounds at such an uncertain time. And yet with a roadmap for ending analogue broadcasts, even if it is only a target date, even if it is around 2015, three years after analogue TV is switched off, the prospects for radio are dramatically changed.

With a clear route to the end game, sensible business plans can be drawn up. Motor manufacturers will be able to plan to fit digital radio receivers as standard, not as an expensive option, or as is the case in some luxury cars, not at all. With an investment plan which makes sense, shareholders will be supporting a payback period. That strengthens commercial radio, that in turn will strengthen the BBC's position in digital and all of that must be good news for listeners.

Summarising his proposal Ralph Bernard looked for:

- Guidance from Government that digital radio is the way forward.
- A timetable to analogue switchoff. This could be phased and could only happen in circumstances which did not disadvantage listeners.
- A date – not firm, but a target of 2015.
- Assistance in the form of tax breaks or cross subsidy through licence fees to help small companies make the transfer.

Ralph Bernard pointed out that radio is a remarkable medium. 90% listen every week. More stations are not the answer to the success of digital. 25 years ago the average listener listened to just over 2 radio stations each week. Today, with a choice of dozens of stations, far more than ever before, the 90% who listen to radio each week listen to just over 2.5 stations a week.

He concluded that we need to get the money out of structure and transmission and behind the microphone, into content and creativity.

### **Consumer benefit**

Opposing the motion **Tim Suter**, Prism Associates and formerly Ofcom's Partner for Content and Standards, questioned whether the policymakers and regulators who got it wrong ten years ago, would now guarantee all the promises they made before. He contended that the proposition that a switchover data *now* is crucial to the future of radio is a very big claim.

He presented a checklist of three arguments about which the proposers must convince the audience.

He focused first on the claimed huge positive outcome. Tim Suter argued that it is not enough to claim that the switchover will be good for the industry or for manufacturers: of course it will. The proposers must also convince the audience that consumers will benefit not from a future where digital plays a key part, but from a *digital only* future, and one in which all the policy eggs have been put in the Digital Audio Broadcasting (DAB) basket. After ten years, consumers are stubbornly unconvinced that digital has something for them that they cannot get in analogue. Because the proposers of the motion want the date set now, they have to show the benefits now, not as some pipe dream in the future. At the moment, more time is spent listening to AM than it is to DAB. Listening to digital only stations in digital homes is only one tenth of the proportion watching digital only TV channels. While it is true that a significant amount of listening is via the digital set, this still only accounts for a modest 15% of actual listening. And this is after ten years. And of that 15% only a quarter of it is to stations that are available only via digital transmission. The great bulk is to simulcasts of analogue services. “Where”, Tim Suter asked, “is the motivation for consumers to come from? Where are the compelling new services? Where is the striking innovation? What is the ‘must have’ consumer proposition?” The truth is that, for all the growth in the purchase of digital radios, which is slowing down, the proposition of ‘more of the same, done in the same way’ is an unconvincing one.

Tim Suter stressed that he is not a digital refusenik. All his non-mobile listening is digital: there are nine digital radios in his home and one he listens to from time to time on his bike. Three of them are DAB, the rest are internet or digital TV. But we have to listen for the compelling consumer proposition. Without it, the proposers have a mountain to climb to persuade consumers that switchover is being imposed in their interests rather than in those of the industry.

On the negative side, the proposers have to persuade the audience that the switchover will not take away things that consumers value and that plumping for a date now will be so at odds with development in technology and consumer behaviour that it will lead to the side-lining of the very industry it is trying to save.

Tim Suter referred briefly to the dangers of crowding out small and community-based stations, for which the current digital plan seems to hold no future and to the technological problems that DAB confronts, not the least of which is that, even under the rosier scenarios, it is unlikely to reach more than 90% of the population.

He reminded the audience of what happened a few years ago when the BBC proposed to remove Radio 4 from Long Wave where it reached 100% of the audience. “Remember Scud RM? ...Remember the crowd walking down Langham Place? “What do we want? Radio 4. Where do we want it? On Long Wave. What do we say? Please”. He questioned whether the reaction this time would be so restrained. The real nightmare in this debate is the outcome we all most fear – that there would be no such consumer reaction. Much the most frightening outcome would be that, while the industry obsesses about whether to set a date for switchover, and if so when that should be, the consumers switch off or switchover – consumers who will be increasingly content to listen to digital radio through the TV or online; who will find the emerging wi-fi technologies increasingly satisfactory for distributing the services they want, free of Ofcom’s petty rules. These consumers will simply shrug at the attempt by the industry to shoe-horn them into an outmoded business model and will vote with their mice and their EPGs, while the radio industry, locked in an arcane switchover debate, takes its eye off the future, rather than benefiting from it.

Tim Suter went on to argue about the real world consequences of voting against this motion. Doing so, was not voting against a digital future. The digital future is anyway a misnomer: we live in a digital present. The question is whether the undoubted short-term gain to be got from announcing a date for switchover before there is a compelling consumer reason might endanger the very future we want to see come about. To reach that future, there will undoubtedly be some hard decisions which will include hard decisions about the future of DAB. But it will be easier to see that future more clearly if we have not locked ourselves into just one version of it.

Tim Suter suggested that we should begin to separate out the transmission system from the content: to recognise that the characteristic of a successful digital future is one where services choose the distribution that is most appropriate for them.

Tim Suter concluded, “If you vote against this motion, you do not reject switchover. What you reject is blind faith in switchover. If you vote against the motion, you do not reject the digital future: you reject the unalterable adoption of one specific version of switchover which may limit radio’s opportunity to capitalise on the future. If you vote against this motion, you do so on the understanding that what is crucial to the future of radio is not a government-imposed switchover date which forces consumers to change their behaviour, but consumers choosing compelling new services, which guarantees a future for a whole range of profitable digital services”.

### **Kitchen friend**

Seconding the motion, **Gillian Reynolds**, *Daily Telegraph* radio critic, argued that change is inevitable, the pace of change may create unexpected consequences and not all change is for the worst. She contended that to bring in a switchover date, is to acknowledge what is already there.

Radio is alive and well and living in the UK. Born in 1935, Gillian Reynolds had grown up with this medium – it is part of her life and history. She traced some of the highlights of digital radio. In 1990 the BBC began its first DAB trials. In 1990 too there were wavelength shifts when Radio 4 was going longwave. Cumbria went over to digital in 1995. In 1995 Liz Forgan launched BBC digital ‘The Third Age’ of broadcasting, and then in 1996 the Broadcasting Act set out the Digital Future. The fact that people listen to radio on computers does not contradict the point of radio. It is our kitchen friend, our bedtime companion. Radio is fantastic. We now have webcasting and digital only stations. But changing your set does not change your life. Setting a date for switchover will not change people’s relationship with radio.

### **Community radio**

Seconding the opposition **Jacqui Devereux**, Acting Director, Community Media Association, focused on community radio and also on small local commercial stations, arguing that digital switchover would be bad for such communities and not in the interests of radio’s future. She addressed three main themes: people and communities, technology and the environment.

She stressed that broadcasting is essentially about people. It is not just about technologies, platforms, industry and producers. Community radio is the best example of this because people make this medium. Vast numbers of people do not have access to computers. Community radio is participatory radio. Citizens are part of communities and community radio is broadcasting in the context of people.

If the big boys migrate to digital only, plurality of ownership and variety of programming as well as diversity of workforce voices will be lost. Local radio acts as an information service and people want such local information. It was immensely helpful during the floods when people needed to know what was happening in their area. The BBC is not local. These services are unlikely if there is a digital switchover.

The cost of migration to digital is exorbitant. It is a ‘no-go’ for community radio. The loss to us as citizens and people far outweighs the loss to shareholders.

DAB is only one kind of technology and it is not the right technology for small producers. Its main benefit is for the big boys. Jacqui Devereux made a plea for a dual platform kit. The future might be better for small stations, but it is far too soon.

She is also concerned about the effect of switchover on the environment. 140 million radios would be obsolete and the cost of disposal would be very high. The DAB footprint is too big.

She concluded that radio digital switchover and switching off, far from being vital for radio’s future, would in fact harm it. More radio, both ‘big’ and ‘small’ is better for the whole industry.

## Discussion from the floor

The following contributions were made:

### For the motion

- There has to be a future for radio and that future has to be digital. We have run out of radio spectrum.  
Although the contributor saw digital switchover as inevitable, it is not viable in the car, on a bicycle or when mowing the lawn. Wi-fi radio does not work reliably as a broadcast signal.
- Wi-fi is the most expensive technology and DAB is eight times more effective. Digital TV tends not to be used for digital radio.
- DAB radio is one of the fast growing products on the market. Consumers love radio. In the next few years radio will provide even more in terms of vision, interaction and contents. Five years ago technology did not provide battery access. The contributor estimated that, by 2010, 95% of radio listening will be via DAB with subsequent opportunities to bring down costs.  
Digital radio is a great thing for British industry. It is an industry with a lot of creativity as well as one which is creating wealth for the UK.  
The contributor suggested that the switch-off should be phased, FM initially, leaving AM which is communal.  
The car industry thinks in Pan-European terms and will not change unless it has to. A digital switch-off date will help the UK car industry.
- A switch-off date will encourage the industry and encourage people to support DAB. The proposal will result in better radio and firm growth in both BBC and commercial radio.
- Manufacturers should be asked to make digital radio simpler for us. Radios have become too complex and this is part of the put-off for DAB.  
There is no real difficulty in getting digital into homes, but we must send strong signals to car manufacturers.
- DAB started because such choice and quality was not previously available. Since digital has been available on TV there has been an exponential increase. Switchover does not mean switch-off, but it does free the spectrum for other uses, e.g. community radio. To vote against the motion would be anti-democratic, anti-future and anti-British.

### Against the motion

- The contributor stressed the consumer's point of view. He pointed out that the BBC was forced to buy Sports Radio but has gone back to analogue. He felt that technology was not yet ready for the change. There is no point in forcing the consumer to change to a system which does not work properly. He suggested that we keep analogue and digital together. To switchover now would mean that people would not get the results they deserve and would lose a lot of the programmes they want.
- Some new kind of test, which the contributor termed 'the Jeremy Clarkson test', should be applied in relation to DAB. He was not persuaded that there should be an actual date for switchover as nothing was proven.

### Neutral/abstain

- Buying into switchover does not include the interests of consumers or citizens. The contributor believed that the technology for switchover is OK but was not certain about its workability.
- We should run both analogue and digital while some of the issues which had been raised were being addressed.

### Summing up

Summing up for the opposition **Tim Suter** saw no problem with the current situation. He expressed surprise that the Government had not taken any decisive action in respect of DAB nor given it a vote of confidence. DAB is good technology and has been shown to be demonstrably better than analogue.

We are now in Phase I. What is happening now does not undermine digital technology. But we need passion and excitement. The opposition is not opposing digital. It is calling, however, for a range of different services delivered in different ways. To achieve this we don't have to take things away from people.

Summing up for the proposition, **Ralph Bernard** pointed out that the motion talks about 'switchover', not switch-off. He accepted that the switchover could be phased. In some areas analogue may need to remain to serve certain communities. He argued that without a date for switching off analogue signals there was going to be a lot of uncertainty.

Motor manufacturers have been particularly slow to move to digital. They see no competitive advantage in changing. By telling motor manufacturers that analogue will be obsolete they will have to change to digital.

The growth in digital sets has been phenomenal. In ten years we have gone from nothing to 6½ million sets. We have started to build a new industry and have changed the habits of a lifetime for 50 million listeners. This will increase as consumers see the benefits of DAB. The true point of measurement should be three to five years ago because it wasn't until then that there was reasonable national coverage and it was only then that radio sets became cheaper and within the range of most consumers.

We are not living in an ideal world and we cannot wait for sufficient funding. For digital to take off it needs a financial commitment to build the runway. The plain fact is that digital radio is running out of runway.

Ralph Bernard concluded, "If you want a choice you must vote for this motion. Otherwise it will be analogue or analogue".

### **The result**

Following a count, the motion was carried.

### **Next Debate**

The next debate will take place on Monday 10<sup>th</sup> March 2008, sponsored by the Institute of Sales Promotion. Details from the Debating Group Secretary, Doreen Blythe (Tel: 020 8994 9177) e-mail: [dblythe@varinternational.com](mailto:dblythe@varinternational.com)