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Speech to the 'Drive to Digital' conference

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I want to start by thanking the BBC for hosting today's conference at the new Broadcasting House.

I cannot think of anywhere more appropriate, or with a more iconic image, to talk about the future of radio and the opportunities it holds.

I also want to give my thanks to both SMMT and DRUK for organising today's event. It is a comprehensive agenda which I hope you will all find interesting.

Why Switchover?

I know there are some who question why the Government is pursuing a digital radio switchover plan.

You will no doubt have all heard the negatives of digital radio, there has certainly been no shortage of column inches dedicated to the subject. They often suggest that DAB is an out of date technology, that coverage and sound quality are inferior to analogue and listeners are already happy with what they've got so why change?

There are of course elements of truth in all these statements.

However, it is all too often presented as a one-sided argument. There are also many positives. The UK leads the world in the take-up and consumption of digital radio, we have exciting digital-only content and the leading manufacturers are UK companies. To date over 14m DAB sets have been sold. While around 27% of all radio listening is already to digital platforms and all indications suggest that this will continue to grow, particularly online.

Let me be clear at this time that when we talk about digital radio, we mean all digital platforms. Radio's strengths are its flexibility, its ability to integrate with other platforms and devices. Radio will be a multi- platform medium in the future. But radio does need its own digital platform, one which provides certainty and is free at the point of access. That is why DAB is important.

I am often told that radio switchover is too difficult, that listeners are far more passionate about their radios than they are about their TVs, and they are resistant to change. I am often reminded of the time radio 4 listeners marched on this very building because the station was moving between analogue frequencies.

Of course radio listeners are passionate about their stations, but to be clear we are not

proposing to take away their favourite station, we are planning to give them more. I would not be here if I did not firmly believe that digital radio provides people with not just a better listening experience, but also the ability to engage in content, services and functionality, which has never been available to them before. Perhaps even making them more passionate.

Just ask the BBC how passionate their digital listeners are. How many hundreds of thousands of listeners signed petitions and attended rallies to prevent the closure of 6Music and the Asian Network.

What is Switchover?

So what is radio switchover and when will it happen?

Switchover is the point when all national and large local services will only be available on digital platforms.

The timing of any switchover will be determined by the consumer. We have been clear that no date for switchover will be set until 50% of all radio listening is already to digital. We have also said that DAB coverage at national and local level will need to be comparable to FM.

Of course we realise this has the potential to create the almost perfect 'chicken and egg' scenario. Without investment in content and coverage the listeners are less likely to change, without listeners such investments are difficult for commercial companies to make.

We have always been clear that all parts of the supply chain needed certainty in order to move forward in unison. This is why the 2015 target date was set, a point to which we could all work. But it was always just a target and it would be wrong for all of us to try and force a switchover on listeners until they were ready, hence the switchover criteria.

So while the 2015 target date looks ambitious, it still has an important purpose. As I have said previously it remains my desire to make a decision on switchover in 2013. It will be an evidence based decision, drawing on everything we have learnt and the decisions we have made through the Action Plan. This decision would provide clarity for all elements of the market, unlock funding for new coverage build-out and present a clear message to consumers that switchover is not a matter of 'if' but 'when'.

Digital Radio Action Plan

Last year when I launched the digital radio action plan I set out what I believed to be the barriers to realising radio's digital future.

The so called 5 Cs; Content, Consumers, Coverage, Certainty, and most importantly in the context of today, Cars.

Work continues at pace on pulling down the barriers on all of these Cs, and I want to update you on the important work that is taking place.

Firstly, Coverage.

Rest assured we understand the importance of improving coverage for consumers and manufacturers.

I understand that Tim Davie from the BBC will be setting out the BBC's position on this so I won't seek to steal his thunder.

More generally, Ofcom continues to work closely with the industry to establish the exact technical means required to provide for a switchover.

The good news is we believe it to be both achievable and affordable.

In content we currently see a greater variety of digital radio services than ever before. The rebranding of BBC 7 and the BBC's wider commitment to digital only content is showing a positive reaction from listeners.

The national commercial multiplex is full of services such as Absolute 80s and 90s, Jazz and Planet Rock.

Yes, more is needed, but we should equally celebrate the successes to date.

Cars

So now I would like to talk to you about digital radio and cars.

Primarily, I want to express my thanks and recognition of the way car manufacturers have engaged with digital radio. Unlike in some other European countries we have not legislated to force car manufacturers to adopt digital radio, choosing instead to work with the SMMT and yourselves to agree a way forward together.

SMMT have reported that the proportion of digital radios in cars and commercial vehicles "as standard" has risen from 5.3% in September 2010 to almost 18% in September 2011. This means that over a quarter of a million vehicles have been sold with digital radio in the past year.

Combined with this Ford have announced that all their vehicles will have digital radio fitted as standard by the end of 2012, with the new Ford Focus already hitting the streets with digital radio.

There are other new vehicles launched with digital radio; the Ford C-Max, the iconic VW Beetle, the Vauxhall Tiguan, the Saab 9-5 Sports Wagon.

This list will continue to grow which shows the magnificent commitment on behalf of the manufacturers to switching to digital radio for which I can only express my thanks.

I should also take the opportunity to mention that to celebrate the Olympics, and with BMW as an Olympics partner, Mini are producing 2012 special editions in Cooper, Cooper D, Cooper S and Cooper SD hatchback, all naturally sporting digital radios as standard.

All of this puts us on target for the majority of new vehicles to be sold with digital radio as standard by the end of 2013 which is a very positive story.

With 20% of all radio listening occurring in vehicles, this will have a significant impact on reaching the government criteria of 50% of radio listening being digital before a switchover.

Aftermarket Products

Of course any digital switchover is not only about new cars.

There are over 34 million vehicles on the road and whilst 2 million new cars are sold each year and about the same number scrapped, estimates suggest around 25 million vehicles will need to be converted to digital.

But again this is another area where vehicle manufacturers are helping to lead the way. I believe this can be a real opportunity for business growth for those who can see and realise the opportunities.

Just this year a new product type; the integrated adapter, has been launched.

This is a major technological breakthrough for digital radio in the vehicle market as this product will connect to existing in-car audio systems, fitted behind the dash, no trailing wires, and the ability to use existing radio controls.

Two manufacturers have launched these products to date: Connects2 and Celsus, both of whom are exhibiting at this conference.

Additionally in the last year we have seen new digital head-units launched by Philips, Sonichi, Celsus, Clarity, Kenwood, JVC and Sony.

Going back 18 months ago, before the launch of the action plan, there was only one digital head-unit on the market. Only one.

DRUK Research

I also know that DRUK have conducted research with 700 customers of a leading vehicle manufacturer which already has digital radio as standard.

From this research there is a plethora of positive results with 77% saying they would recommend DAB to others and 65% stating they would be disappointed if DAB was no longer available.

However, what really jumped out to me was that the majority of those who responded stated that they would not buy a car in the future without DAB radio.

To me that highlights what consumers want, and what you as manufacturers and

broadcasters are already beginning to provide.

Digital Radio Certification Mark

I also wanted to let you know about the progress being made in establishing a digital certification scheme.

Those of you who have committed to installing digital radio as standard want some form of recognition and want to be able to provide your customers with clarity and assurance, and a certification mark will go a long way in achieving that.

There is clearly a balance between supporting the early adopters and the value of such a certification in advance of a switchover decision. We are considering this issue closely and the pros and cons of an early launch.

We are planning for a launch of the digital radio mark towards the end of 2012 if appropriate, and we will make a final decision on timing in the first half of next year.

There is undoubtedly a huge amount of work to be done between now and mid-2013, with even more to follow if the switchover is to become a reality, but right now the only future I envisage for radio, is digital.

No one could predict 10 years ago the success of Apple, the domination of Google, profitability in social networking, particles travelling faster than the speed of light.

However in all of these instances success and positive change were not achieved by standing still, but by grasping the opportunities in front of them. Let us see digital radio as an opportunity. An opportunity for our customers, our listeners and ourselves and not be shackled by the barriers of today but see the potential of tomorrow.

Thank you.