

"THE FUTURE LICENSING OF FM COMMERCIAL RADIO"
PUBLIC CONSULTATION PAPER PUBLISHED BY OFCOM
5th FEBRUARY 2004

RESPONSE FROM CKFM KERNOW LTD 3rd March 2004
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The Directors of CKFM Kernow Ltd submit this response to Ofcom following the publication of the consultation paper "The Future Licensing of FM commercial radio", on 5th February 2004, and our response focuses only on Questions 3 and 4, paragraphs 30 to 41 inclusive, with particular emphasis on the implications contained in paragraph 39.

EXECUTIVE SUMMARY

1. Cornwall can sustain a second commercial station, and all the facts support this view.
2. The audience gap which CKFM seeks to fill has been identified and tested.
3. The position of Pirate FM is strong and will not be threatened.
4. The time has come for the BBC local station (BBC Radio Cornwall) to be challenged.
5. Cornwall's unique cultural and other status should not be overlooked.
6. Localness would not be served by a forced regional broadcasting marriage.
7. A regional station would not necessarily offer a niche programming opportunity.
8. Cornwall+Devon is not seen by the newspaper media as a natural media community.
9. A new service for Cornwall will create new Cornish jobs, investment, and training.
10. Possibly seven separate frequencies would be required for a "south-west" coverage.
11. Widespread local disappointment if the new station is not be for Cornwall only.
12. The left-over Working List leaves all but Cornwall and Torbay un-affected.

In summary, we feel very strongly that any proposal which effectively negates the opportunity for a new FM commercial radio station for Cornwall, and in its place seeks to create a quite different licence which combines Cornwall with large parts of Devon, is flawed. In support of our view on this subject, we respectfully submit the following arguments :

1. CORNWALL CAN, EMPHATICALLY, SUSTAIN A SECOND COMMERCIAL STATION

Whilst we recognise the reality that any new commercial service for Cornwall will require substantial investment before achieving a level of sustainable profitability, our strong view remains that radio targeting an audience aged primarily 40+ in this county should be as "local" as is commercially viable in order to win audience from the well-established BBC local station. In the case of Cornwall, the most viable local service would be county-wide, tapping into the deep sense of Cornish identity, and this is one of the main reasons why we have never advocated small-scale licences for areas within Cornwall.

This has informed our every decision since the formation of CKFM Kernow Ltd (indeed, it was the cornerstone of the decision to embark upon our campaign for a permanent licence to be made available) and nothing has changed the view of the investors in this project that a second Cornwall-wide FM station would become both popular and profitable.

An analysis of some key socio-economic and radio industry factors gives the following results:

FACTOR	FACTS AND FIGURES	SIGNIFICANCE
Population growth	The most recent census gives Cornwall a population of 501,000+, representing a growth of 4.1 percent over the previous period. The 15+ TSA for BBC Radio Cornwall is 409,000, for Pirate FM 594,000, both growing. <i>(Source : National Stats Office, RAJAR)</i>	Cornwall's population is growing, giving the county an increasing consumer and target-listener base.
Demographic profile by age group	Age groups over the age of 40 represent 56 percent of the population and growing. <i>(Source : National Stats Office)</i>	The only current commercial radio station in Cornwall targets age groups mainly below 40.
Cornwall Gross Domestic Product, Cornwall's position vis-à-vis the national averages, and the effect thereof.	Cornwall's GDP/per head indexed at 69 compared to UK 101. <i>(source : National Stats Office, Eurostat)</i>	With a growing UK economy overall, Cornwall's percentage inevitably goes down while the effect of Objective One status, Eden and other major projects work through the system. But there are indications that a trend is emerging, viz., that GDP and Gross Value Added (GVA) per head will shortly be on the increase.
Disposable income	Cornwall Disposable income index is 90 percent of UK, Plymouth is 87 percent and Devon is 95 percent <i>(Source : Plymouth University Business School)</i>	Disposable income is a much more significant measurement of the connection between businesses and the advertising media they use. Cornwall's high DII is accounted for by those older age-groups which have much higher disposable incomes, and this is of particular significance to a radio station seeking to target the mainly 40+ demographic

Resurgence of economic activity	Eden, Objective One, National Maritime Museum, and several other major projects. (Source : Objective One Office, Cornwall County Council, Business Link)	Cornwall's economy is on the move again after years of stagnation and neglect by successive governments, and the county is now seen as a growth area for tourism in particular, as well as ICT, biotechnology, the creative industries and tertiary education. Further economic growth is anticipated as a result of strong likelihood of Cornwall Objective One status being extended.
Total U.K. Radio spend	£582.1 million (Source : RAB)	
Total U.K. population	59.2 million	
Average spend per head, U.K.	£9.83p	
Cornwall population	501,000	
Potential Cornwall radio spend, based on application of national averages	£4.85 million	
Total Cornwall spend on radio	+/- £2.3 million	Estimated most recent annual gross turnover attracted by Pirate FM is less than 50 percent of national per-head figure.

Importantly, the above table includes information on disposable income, which in the context of assessing the potential viability of any commercial radio station, is vital. In making our original financial forecasts, we put Cornwall's relatively high disposable income index together with the fact that this is due in significant measure to the relatively older age-profile of the county, and we have always been confident that a station which appeals to those who are predominantly forty-plus would be able to offer accessible advertising to businesses in this county who target the same age-group.

Further, we are confident that Cornwall is large enough to justify and indeed benefit economically from a second licence.

Note : If the sub-regional Cornwall + parts of Devon station suggested as a possibility by Ofcom were to become a fact, the relative economic strength of the Plymouth + Exeter + Torbay area compared to the relatively weaker position of Cornwall may have the effect of creating high advertising rates on such a station, and *that* may well put the station beyond the reach of a large number of businesses in Cornwall. The economic viability of local commercial radio (as clearly distinct from regional or national stations) lies in its ability to attract advertising income from local advertisers, and if such advertisers in Cornwall do not support the new station, there must be a question mark over its long-term viability.

2. THE AUDIENCE-MARKET GAP

The existing sole commercial service for Cornwall (Pirate FM) is (unsurprisingly) a mainstream radio station, with a music format which caters in the main for a target audience below the age of 40. In our judgement, the clear gap in the market is for a station providing what we have described as a Pure Gold Radio mix.

Evidence from elsewhere suggests that when a commercial radio station faces competition for the first time, it tends to move its positioning to serve an even younger audience, leaving a wider "gap" for an older-targeted station.

There is also a potential danger that, if Cornwall were to be "lumped together" with parts of Devon which currently benefit from different commercial radio services to those available in Cornwall, a decision may be taken to introduce a new service catering for a different audience to that most needing to be served in Cornwall. The interests and wishes of the people of Cornwall are best served by looking at this county and its existing and future media requirements in isolation.

3. COMPETITIVE WITH OR COMPLEMENTARY TO PIRATE FM ?

We recognise that Pirate FM is a successful station and that it is an important part of its current owners' portfolio. That is why we have always proposed that any new service licensed for Cornwall will have to be different enough to establish its own audience profile and not to "steal" Pirate's established audience and revenues.

We do not believe it is unreasonable for Cornwall to have two commercial stations when many other areas of the UK enjoy many more. In our experience, and again following observation of situations elsewhere, one of the most difficult tasks which any commercial radio station can undertake, is to carry the flag for, and market, commercial radio as such entirely by itself in its coverage area – and that is what Pirate FM has done for twelve years. Two commercial stations in Cornwall will not merely enhance the impact of commercial radio in this county – it will bring a very large increase in audience and revenues, through the availability of choice for listeners and advertisers. It is difficult to see how anything but a fully local radio service for Cornwall could achieve this.

A new radio station for Cornwall will be profitable and successful precisely because it is of local interest, develops a local audience, caters for local advertisers, runs local promotions and makes local news - and the extent to which Cornwall-located businesses prefer to deal with other Cornwall-based firms should not be underestimated.

Pirate FM has enjoyed a monopoly for twelve years as the only commercial radio station serving an audience and advertisers in Cornwall. Ofcom will be fully aware of the geographical shape and size of Cornwall, and the inevitable fact that audiences in this county have vanishingly small interest in products or services advertised beyond the county boundary. What is more, Cornwall has a relatively low incidence of either national or regional businesses, and the consequence of that fact is that advertising income to a "south-west" station would be drawn in very large measure from Plymouth and Exeter.

Ofcom will know that Pirate FM is a success story. What is clear is that their success is rooted very firmly in the efforts they have made to develop the radio advertising market in Cornwall, without having the advantage of any local competition, and while they make an effort to sell time in Plymouth, the fact that local Cornish businesses need a strong sense of identity with their own target markets has been the cornerstone of Pirate FM's success.

4. THE BBC

In our view, a station focussed on music and information for older listeners in Cornwall is most likely to take audience from the BBC's local and national services, and in particular from BBC Radio Cornwall, which has enjoyed a monopoly on service to the older age-groups for twenty-two years. It is perhaps worth mentioning in this context that the BBC, always anxious to maximise audiences and minimise costs, has recognised that Devon and Cornwall are absolutely different and separate places, and have for many years operated separate county-based BBC local stations (BBC Radio Cornwall and BBC Radio Devon). BBC Radio Cornwall's service has consistently been one of the highest rated for any BBC local station and is significantly higher than that achieved by BBC Radio Devon, emphasising the particular importance of county-specific media to the people of Cornwall.

5. CORNWALL'S IDENTITY

It is entirely understandable that those who do not live full-time in Cornwall may not always appreciate the depth and strength of feeling which permeates all aspects of Cornish life. It is found in a special intensity of pride in everything Cornish - in the local accent and vernacular; in the special peculiarity of Cornish family names, place-names and vocabulary; in a history which some even feel has more in common with Brittany, Ireland and Wales than with the rest of England; in the existence of a Cornish language with growing numbers of Cornish speakers; in the flag of St. Piran which identifies this county; in a musicality which has no equal anywhere in Britain. There is a Cornish culture which comes to a full stop at the River Tamar; there are uniquely Cornish people, events and memories. For example - when Cornwall gets into the Rugby County Championship final, 40,000 Cornish people go to Twickenham – more than ten times the number from the opposing county.

If there has to be a South-west regional radio option, then perhaps it could be found by putting Devon together with Somerset, or Devon with West Dorset if technical considerations allow. Or indeed, as suggested, by opting for a Devon-wide station. There might be some measure of acceptance for such a move in any of those areas. But not for forcing a marriage between Cornwall and Devon.

Over the past almost four years, CKFM has obtained two thousand-plus letters or signed statements of support, from every corner of the county. That support and that demand has been generated on the back of a commitment to a new Cornwall-wide radio station – local, distinct and committed to this county. To put it as well as it could possibly be put, in Ofcom's own words at the end of paragraph 39 :

" ... a Cornwall-only licence is likely to facilitate a more mainstream music service, but one which is better able to reflect a local identity. An alternative would be to combine coverage of Plymouth and Exeter and/or Torbay rather than offering separate licences for these cities, while maintaining Cornwall as a discrete licence area.

6. LOCALNESS, LOCALITY, CHOICE AND PLURALITY

In several places in the consultation paper, in statements from Ofcom over the past few months, and in the Communications Act, there are references to "localness" and "locality" and the need to foster and encourage them. How localness is defined and implemented is a matter for ongoing debate, but in the case of Cornwall and "the south-west" it is hard to see an argument which could purport to be encouraging localness if Cornwall is forced into a broadcasting marriage with Plymouth, Exeter and/or Torbay.

Apart from Cornwall's unique status culturally, geographically, historically and economically (which we have touched on elsewhere in this response) we do wonder how "localness" is encouraged by creating a *regional* radio station. We wonder what sort of "ownership" (in the broad sense) listeners in Penzance feel that they would enjoy in common with people in Exeter or Torbay (both over 100 miles away) when "ownership" in this sense is a *sine qua non* for the success of any radio station.

The sheer geographic size of Cornwall is such that a larger regional service is less likely to cater effectively for the whole area, with staffing numbers most likely ensuring that news, for example, tends to focus more on the larger towns and cities (particularly the large urban conurbations in Devon) and less on the rural and small-urban areas of Cornwall.

It may be helpful for Ofcom to consider a very useful parallel as it applies to the two existing regional broadcasters in this area, viz., BBC TV South West and Carlton West Country. Given the distances which these broadcasters, based in Plymouth, have to travel (and the concomitant cost) in attempting to cover Cornwall in their news and current affairs programming, it is not surprising that Cornwall features only very marginally ; Plymouth and Exeter-based news-gatherers already give very significant preference to stories from their own backyards and it seems likely, to say the least, that the same thing would happen if Cornwall found itself, again, lumped in as part of some "south-west" radio region.

Cornwall news is given three minutes and fifteen seconds of time, twice a day, on Carlton TV, out of almost half an hour !

7. NICHE PROGRAMMING

When regional FM stations were first mooted and then advertised, part the rationale appeared to hinge on the creation of opportunities for more "niche" programming – the principle in issue being that a regional station could target listeners who made up demographic groups too small for genuinely local stations to be able to serve viably. In our view, there is limited evidence that large-scale and/or regional services always provide a higher quality of news or challenging speech content for the areas they seek to serve, compared to many smaller-scale services.

We would further suggest that stations aimed at a youth audience, or stations aimed at the numerically very large over-fifties cannot be sensibly described as "niche" broadcasters.

But even assuming that regionality = niche opportunity, we feel that anyone would be hard-pressed to justify creating a niche broadcaster which happens to cover Cornwall when there is currently one commercial and one BBC local station respectively, serving a population of up to half a million.

8. PRESS COVERAGE.

There is a high degree of fragmentation of newspaper titles in Cornwall and Devon, with upwards of a dozen weekly publications (some sold, some free-sheets) with only the Western Morning News coming close to covering the suggested aggregated area – and even then leaving a significant gap in the South West of Cornwall where its circulation is very low. Cornwall and Devon, even seen by the newspaper industry, do not make up a natural media community.

9. NEW JOBS, INVESTMENT AND MEDIA TRAINING OPPORTUNITIES

A new widely-available commercial radio service for Cornwall will create new jobs, new investment and new media training opportunities for Cornwall and its residents, in an area which has for years been deprived of these opportunities. CKFM has worked closely with the Falmouth College of Arts and with Cornwall College, both of which form the core of the Combined Universities in Cornwall, and any new local station will be able to continue a programme of work-experience, on-the-job training and eventual job opportunities for those who attend these colleges. CKFM has certainly committed itself to doing so. It is hard to see how a "south-west" station could make a similar claim.

10. BEST USE OF SPECTRUM ?

The consultation paper says, "*Options for offering new licences are severely constrained by existing frequency usage and are similar to previous proposals*". This point is accepted so we find it hard to understand the rationale for one FM station serving :

- all of Cornwall possibly including the Isles of Scilly.
- Plymouth and the surrounding areas.
- Exeter and/or Torbay.

As things stand, the FM commercial stations that currently cover the area which might make up the "south-west region" contemplated in the consultation paper employ the following number of transmitters and therefore the following number of individual FM frequencies.

Pirate FM	2
Gemini FM	3
Plymouth Sound	2
TOTAL	7

(source : Radio Authority website archive - transmitter site maps)

This indicates that a new "south-west" station may have to use at least seven FM transmitters and frequencies broadcasting the same signal from the same studio location (other than, perhaps, for split commercial breaks) and that does not include the Isles of Scilly.

We are in some difficulty in trying to see how this could constitute a better or more effective use of available spectrum, while there remains significant support and demand for a more local station in Cornwall

11. MOVING THE GOALPOSTS

Having worked hard for almost four years, campaigning for a new licence for Cornwall, we are, naturally, disappointed at the suggestion that has been made possibly to change the Radio Authority's original plan for a Cornwall-wide licence. Perhaps more important than our own view of this possibility is the view being expressed to us by local Cornish people, who feel decidedly aggrieved to discover that a new radio station might not be the Cornwall station they had reason to hope for.

12. AGGREGATION AND THE LEFT-OVER WORKING LIST

A comparison between the areas under consideration for aggregation in terms of paragraph 37, and the nine areas remaining from the Radio Authority 2002 Working List illustrates why we believe that Cornwall should remain a distinct area and not be aggregated with parts of Devon.

AREAS FOR AGGREGATION ?	REMAINING WORKING LIST AREAS
Newcastle and/or Sunderland +Middlesborough	Ashford
Plymouth + Exeter and/or Torbay	Ballymena
Swansea + Cardiff	Banbury
Solent	Blackburn
Cornwall + Plymouth + Exeter +/-or Torbay	Cornwall
	Durham
	Kidderminster
	Norwich
	Torbay

We have been wondering what criteria were applied to identify the areas named for aggregation, and how Cornwall came to be included. Four of the five areas suggested by Ofcom for aggregation (paragraph 37) might well constitute geographical and indeed cultural areas where a certain homogeneity exists, viz.,

- Newcastle and/or Sunderland +Middlesborough
- Plymouth + Exeter and/or Torbay
- Swansea + Cardiff
- Solent.

However, this simply cannot be claimed for Cornwall + anywhere in Devon, especially if that includes Exeter and Torbay. As Ofcom will know, the transmitter which currently covers the Eastern half of Cornwall from Caradon Hill penetrates a certain distance into the Western suburbs of Plymouth and some parts of rural Devon to the north of Plymouth, and indeed there are people living in Eastern Cornwall whose residential location puts them into the Plymouth Travel-To-Work area – but our research and a great deal of discussion with local people living in that area makes it clear that their personal, family and socio-political allegiances are to Cornwall, not Devon or Plymouth, even though they may work and shop there.

We take comfort from the words contained in paragraph 35 of Ofcom's consultation paper, viz.,

(but) this conclusion (... in general, larger licences are more likely to be profitable than smaller ones...) does not make any allowance for the benefits that any particular licensing strategy might generate for consumers, nor the role that it might play in meeting other non-financial objectives (e.g. the social and cultural value of reaching particular groups or serving particular interests). It also does not take into account the extent to which 'localness' in radio is considered important by listeners and other interested parties.

We believe that we have made the case as fully as we can, that in the case of Cornwall, a county-wide FM station is not a "small" licence, having as it does a TSA in the region of 500,000, and that in any event the words underlined above are the core of the argument against any aggregation of Cornwall with significant parts of Devon. We hope, therefore, that Ofcom will not disappoint us, and will continue to work as speedily as possible towards the process of advertising Cornwall as a discrete new FM licence area.

We thank Ofcom for taking note of our views.

Submitted by

THE BOARD OF DIRECTORS OF CKFM KERNOW LTD