

To [neil.stock@ofcom.org.uk](mailto:neil.stock@ofcom.org.uk).

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Dear Neil

### **The Future Licensing of FM Commercial Radio**

My submission assumes one major objective – the profitability of the radio sector. This can only be driven by increasing audiences overall, by taking listeners from the BBC, which will improve revenues and by invoking efficiencies into the sector, either through cost savings or access to revenue streams not previously available to certain tiers of the sector.

#### **Question 1**

I believe that it is dangerous to license too many RSL and Access Radio operators without careful deliberation of the effect that such an operation will have on existing licensees in the area.

The broad objective of filling gaps, broadening the appeal of the sector, etc, can only be ultimately judged as successful if it results in an increase in audiences. A review of listening trends in the national marketplace over the past few years does not conclusively prove that more and more small-scale local stations actually improves the overall reach and market share of the commercial sector. What is clear is that the new breed of small-scale stations has only truly been successful (profitable) in isolated, self-contained communities, where competition is scarce.

The inherent danger in continuing the policy of appeasing too many non-professional radio enthusiasts is to saturate the lower tiers of the market with poorly funded, poor quality radio that has a tarnishing effect on the whole of commercial radio.

Development must be concentrated around areas of significant population, this will allow stations to afford appropriate resource to be injected into quality programming, and this is where heritage stations are still enjoying privileged market dominance.

#### **Question 2**

I don't agree with the policy of allocating spectrum to areas where a group of well-meaning enthusiasts has come together to lobby for their own licence. These people invariably have little expertise in running quality, profitable radio and no realistic thought is given to whether the licence area itself can sustain (another) radio station.

It is extremely difficult to equate the evidence of demand for a new station in the area with a realistic probable audience level for the station, especially when the TSA size does not allow for appropriate funding of crucial resources. I realise catering for tastes and broadening audience choice are the crucial factors in determining licence awards but it is not currently possible to directly equate these with the actual appeal of the station.

I'm not suggesting that the application procedure can adequately combat such an imbalance but I think common sense in assessing which new areas would be commercially viable should play a bigger part in the planning stage.

It would appear that new stations can only be profitable if:

- They have no meaningful commercial competitor - Spire.
- They serve a community of interest that is not remotely satisfied by existing stations – Asian stations.
- They serve a niche within a TSA of sufficient size to attract a critical mass that will appeal to advertisers - regional stations.
- They are supported by a geographic or brand network of similar stations – awarded to neighbouring radio groups.

On this basis, new areas should not be licenced if:

- They are less than 500,000 TSA and have an existing local commercial competitor (with over 50% coverage)
- They are less than 1,000,000 TSA and there is already a direct niche competitor in the market

Ofcom should give consideration to allowing large scale, broad format stations to co-exist in metropolitan areas and regions across the country. Jazz and Country may outweigh AC in a broadening audience choice argument but they fail commercial radio when they clearly do not cater for tastes and interests adequately. It is better to licence 3 mainstream stations in a city than one mainstream and 2 niche.

### **Question 3**

For the growth of the sector - critical mass is everything now. The larger the better.

### **Question 4**

Better to aggregate for audience attraction and commercial viability.

### **Question 5**

Good application management skills are at a shortage and it is generally the same applicants chasing the licences that are advertised. Even large groups with specialist resources can not be expected to produce different applications simultaneously, it will be expensive and precludes them from applying on a level basis with other single licence area applicants.

Groups should not be disadvantaged by a multi-licence application process. Different sizes and longer intervals are better.

### **Question 6**

Excellent idea.

### **Question 7**

It is far more beneficial for applicants to target their proposals rather than have to argue a market gap that plainly is not there. This process should not discourage applicants from disagreeing with Ofcom's initial assertions.

### **Question 8**

Yes, but to what level or depth this information can go to will determine whether it is useful or not.

### **Question 9**

A single letter is much better, often there is cross-reference required between the letters from programming and research and finance.

Face-to-face interviews are too time-consuming and possibly lead to personality led groups being more successful than radio professionals.

**Question 10**

The publishing of the scoring system is particularly welcome. It will save a lot of time and money and allow applicants to focus resource in the right areas. As will the electronic submission system.

**Question 11**

The Irish procedure appears fraught with potential difficulties and could lead to an imbalance in the assessment process.

**Question 12**

I don't think Ofcom should provide any information that might encourage litigation as this will bog down the overall process. What can Ofcom meaningfully state that doesn't offend anyone and doesn't lead to litigation amongst individual applicant groups?

**Question 13**

Yes, they are an improvement.

**Question 14**

More emphasis on catering for tastes and interests of the masses than broadening audience choice. The objective must, unequivocally, be taking audience from the BBC.

**Question 15**

The crucial element for saving costs is to ensure that "prize" licences (large, metropolitan and regional) are not advertised at the same time. If they are, then either the quality of the submission will dramatically reduce or the cost in application management fees will increase for multiple applicants.

Radio groups would suffer from having key personnel over-stretched and this will result in them taking their eye off of operations for too long. For these companies a one-month application holiday should be introduced every 3 months.

Kind regards

Yours sincerely

David Bruce  
**Managing Director**