

## Response to Nation Radio Format Change consultation

### 1. Executive Summary

- 1.1.1. UTV Media (GB) is part of UTV Media PLC, which has television, radio, internet and publishing interests across the UK and Ireland. Our radio stations include South Wales's The Wave and Swansea Sound, which enjoy significant success amongst a local audience, with a combined reach of 42%<sup>1</sup>. UTV was also an unsuccessful applicant for the South Wales licence now held by Nation Radio with our proposed 'allTALK' speech service, which would have catered for an underserved audience of 40+ listeners.
- 1.1.2. Our response starts by highlighting the incompatibility of Nation Radio's request with Ofcom's stated strategic vision for commercial radio.
- 1.1.3. We then identify Nation Radio's failure to meet any of the criteria which Ofcom deems necessary to justify a Format change:
- i. The change **substantially alters the character** of Nation Radio, as Ofcom has itself identified.
  - ii. The change would **narrow the range of programmes available** by replacing South Wales's only full-time alternative rock station with another multi-genre new and popular music station.
  - iii. The change would **undermine fair and effective competition** in South Wales by allowing Nation Radio to move away from targeting underserved young men and encroach significantly on an already very well-served broader audience of 15-34 year olds.
  - iv. There is **no evidence of demand** or support for the change. Instead, the evidence suggests continuing audience demand for a full-time alternative rock station targeted at underserved young men.

### 2. Nation Radio and Ofcom's strategic vision for commercial radio

- 2.1.1. Nation Radio's request contradicts Ofcom's own stated vision for the future of commercial radio, as it would allow a regional licence to adopt a broad music format and cater to a less niche audience. In contrast, Ofcom's recent radio policy documents have set out the regulator's desire to regulate "with a three-tier structure as a strategic goal". This comprises:

- "UK-wide" stations;

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<sup>1</sup> RAJAR Q3 2009

- a “viable tier” of local commercial services; and
- an “ultra-local tier” , which would ultimately be carried on FM whilst the other two tiers move towards digital-only transmission<sup>2</sup>.

2.1.2. UTV Media (GB) shares a similar vision, although we are currently campaigning to ensure that all existing local commercial stations have equal status and opportunity to be part of radio’s digital future (as part of what Ofcom has called a “viable tier”), rather than being confined to the “ultra-local tier”.

2.1.3. We believe that a focus on local and national services is timely in light of the current oversupply of large local and regional licences with mainstream formats in UK commercial radio. The growth of regional services has come about despite Ofcom’s finding that only 9% of people believe that the best area for their local radio station to cover is a region<sup>3</sup>. In our response to Ofcom’s October 2009 consultation on ‘The Implications of Digital Britain for Localness Regulation’, we argued that mainstream-formatted regional stations have “restricted the viability of smaller local services without making a significant contribution to format diversity or localness.”<sup>4</sup> As such, we support Ofcom’s proposal to allow regional licences to be repurposed as part of national offerings. This would benefit both local and national commercial radio, providing a more viable basis on which to deliver niche formats, whilst also protecting local radio stations.

2.1.4. Our submission to the October 2009 consultation also emphasised the need for other regulatory decisions to protect the viability of local commercial radio stations. The value of local services is beyond doubt, but their economics have recently proven challenging, amidst heightened cross-media competition for advertising revenue. Amongst our key assertions was that Ofcom must not extend music format simplification proposals “to **regional** licences or **specialist** music stations”. We noted that “the primary purpose of licensing these stations was to broaden listener choice”. We warned that allowing these stations to broadcast less distinctive output would allow them to prosper at the expense of stations licensed to “provide vital local content”<sup>5</sup>.

2.1.5. This is important context for Nation Radio’s Format Change request. Nation Radio is a regional station which lacks a significant commitment to local content but instead boasts a distinctive music and editorial format. It was licensed by Ofcom amidst fierce competition to serve an underserved audience of 15-34 men, but is now requesting permission to move to a format that would allow it to more closely replicate the music output of local stations like The Wave, stations which rely on their popular

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<sup>2</sup> Ofcom, ‘Radio: the implications of Digital Britain for localness regulation’, July 2009, page 4

<sup>3</sup> Ofcom, ‘Radio: the Implications of Digital Britain for localness regulation’, July 2009, page 23

<sup>4</sup> UTV Media (GB), ‘The Implications of Digital Britain for Localness Regulation’, October 2009, page 23.

<sup>5</sup> UTV Media (GB), ‘The Implications of Digital Britain for Localness Regulation’, October 2009, page 23.

music formats and resulting broad audience appeal to sustain their more locally-focused formats.

- 2.1.6. Notwithstanding its incompatibility with Ofcom's criteria, detailed below, Nation Radio's Format change request runs counter to the strategic vision that Ofcom itself claims for its regulation. If Ofcom genuinely intends to aid the development of the three tiers it has set out this year, it should deny the request – even at the cost of the station closing – rather than allow Nation Radio to become another multi-genre mainstream formatted listening option in South Wales. The request is at odds with commercial radio's strategic development and in our view is without merit.

### **3. Criterion 1: The departure would substantially alter the character of service**

- 3.1.1. We agree with Ofcom that this change would substantially alter the character of Nation Radio.
- 3.1.2. The proposed new format would supercede the following, which clearly identifies the licence as "an alternative rock station":

*'AN ALTERNATIVE ROCK STATION FOR SOUTH WALES, PLAYING MODERN AND CLASSIC ROCK GENRES, WITH WEEKLY SESSIONS AND COVERAGE OF LOCAL ARTISTS'*

- 3.1.3. In its place, the proposed new format identifies the significance of the proposed change in its first few words, describing the licence not as "an alternative music station" but as "a new music station", and one which presumably intends to limit the proportion of "modern rock" as far as the definition of the term "predominantly" would allow, with a view to scheduling a high proportion of "other genres of appeal to the station's target audience":

*'A NEW MUSIC STATION FOR SOUTH WALES, PLAYING PREDOMINANTLY MODERN ROCK, WITH OTHER GENRES OF APPEAL TO THE STATION'S TARGET AUDIENCE OF 15-34 YEAR OLDS. OUTPUT WILL ORIGINATE FROM SOUTH WALES AND WILL INCLUDE COVERAGE OF LOCAL ARTISTS.'*

- 3.1.4. Self-evidently, this repositioning of Nation Radio as a 'new music station' (for instance dropping any 'classic rock' from its schedules), amounts to a substantial alteration of its character of service. In fact, as we demonstrate in the remainder of our consultation response, such is the significance of the change that the request fails to satisfy any one of the other three statutory criteria that Ofcom is required to consider.

#### 4. Criterion 2: The change would narrow the range of programmes available in the area by way of relevant independent radio services

##### 4.1. Nation Radio's format change request undermines the 'distinctiveness' which Ofcom sought in awarding the South Wales licence

4.1.1. Granting Nation Radio's requested change of format would directly contradict Ofcom's rationale in licensing a full-time alternative rock station for South Wales in 2007. Ofcom awarded the licence on the basis that a format consisting of varied "alternative rock" based programming would be "very distinctive" and "clearly would enhance the choice for listeners". Ofcom stated:

*"the Format proposed by XFM South Wales Limited, which would offer an alternative rock music service, including each week at least 45 hours of specialist music programming, 'live' sessions, exposure for unsigned artists, local listings for live music and comedy programmes, would be very distinctive in relation to existing provision, and clearly would enhance the choice for listeners in all parts of the area to be covered by this service"* <sup>6</sup>

4.1.2. In making its licensing decision, Ofcom endorsed analysis presented by XFM demonstrating that in order for the new licence to broaden the range of programming available in South Wales, it would need not only to play some alternative rock, but to do so on a **full-time basis**. There were two reasons – which as we show later remain valid – why playing rock music only on a part-time basis would fail to broaden the range of programming offered.

4.1.3. Firstly, XFM South Wales had discovered that **South Wales's underserved rock fans have no interest in listening to rock music as part of a mix of tracks from a variety of genres** – as is now being proposed by Nation Radio. Instead, XFM produced detailed audience research showing that "alternative music fans are typically quite intolerant of mainstream pop music, and for this reason they tend to avoid commercial radio altogether" <sup>7</sup>. This finding was backed up by another applicant for the licence, Dave FM, whose listener research revealed that the region's male-orientated "passion for Rock music" needed to be met by a station playing "100% Rock music" <sup>8</sup>.

4.1.4. This demonstrates that allowing Nation Radio to reposition its output as offering music from a range of genres would deprive alternative rock fans in South Wales of any appealing listening option, and so narrow the range of programming available in South Wales. Passionate rock music fans would be lost to Nation Radio as potential audience members. The result would be a significant narrowing of commercial radio's overall appeal within the region.

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<sup>6</sup> Ofcom, 'Local Commercial Radio Licence Award: South Wales', May 2007

<sup>7</sup> XFM South Wales Ltd, 'Application for the South Wales FM licence', December 2006, p. 35

<sup>8</sup> Dave FM, 'Application to Ofcom for South Wales Area Analogue FM Radio Licence', December 2006, pages 33; 45

- 4.1.5. Secondly, XFM South Wales's extensive listener research revealed that **there was already a large volume of rock music being played on South Wales commercial radio, as part of a multi-genre mainstream music mix.** Furthermore, this rock music consisted overwhelmingly of modern rock. Analysis undertaken by XFM South Wales in support of its 2006 licence application revealed that music output on South Wales' largest commercial radio stations already included a high proportion of modern rock / contemporary guitar-led music. XFM South Wales defined 12 of the 26 most played songs on 96.4 The Wave, Red Dragon and Real Radio during the survey period as popular rock tracks, but in fact overlooked a further six tracks (by artists including Pink, Kelly Clarkson and Paulo Nutini), which were contemporary guitar-led tracks (or 'modern rock') – taking the total to 18 out of 26 or over half ('predominantly'<sup>9</sup>).
- 4.1.6. XFM South Wales therefore identified that the only way to add something new to the market was to be "the only station in the region to play alternative rock exclusively"<sup>10</sup>. That is, on a **full-time** basis. To fail to deliver rock output on an exclusive basis would be to fail to broaden the range of programming available in South Wales.
- 4.1.7. By offering a full-time commitment to alternative rock, XFM South Wales promised to address these two factors and broaden the range of programming in the area, meeting a hitherto "**unmet demand**". The 'full-time' nature of its alternative rock output was essential to ensuring that the service "[complemented] existing local radio provision with minimal overlap with the mainstream stations who are currently providing some rock at the "pop" end of the genre." XFM described its exclusive rock commitment as a "final decisive point" in its favour which would attract new audiences to commercial radio.<sup>11</sup>

#### **4.2. Nation Radio's change of music policy would allow its output to mirror that of existing South Wales commercial radio services**

- 4.2.1. Given that Nation Radio's full-time rock commitment is critical to it making a positive contribution to diversity and choice in South Wales, it naturally follows that the request to suspend exclusive rock output will significantly reduce listener choice. In fact, allowing Nation Radio to become a "new music service", whose music output consists of "predominantly modern rock, with other genres of appeal to the station's target audience", will allow its programming to become almost indistinguishable from that of the other music stations in South Wales.
- 4.2.2. The likely scale of the decrease in Nation Radio's distinctiveness under its proposed new format is due to two factors. These are (i) South Wales commercial radio's already high commitment to 'new music', and (ii) the

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<sup>9</sup> Given that the term 'predominantly' is defined as meaning 'most common' or 'mainly', we have assumed that the term's use in this case indicates a minimum requirement for over 50% 'modern rock' music.

<sup>10</sup> XFM South Wales Ltd, 'Application for the South Wales FM licence', December 2006, p. 35

<sup>11</sup> XFM South Wales Ltd, 'Application for the South Wales FM licence', December 2006, p. 36

existing prevalence of 'modern rock' on South Wales commercial radio as part of a multi-genre mix

- 4.2.3. Firstly, the existing commercial radio stations in South Wales already play significant volumes of 'new music', which is proposed as the key defining feature of Nation Radio's revised music policy. This is evident in the formats of the leading local commercial radio services in the region. Swansea's The Wave is licensed to play 'mainly chart and contemporary but may include older tracks', [36]. Cardiff's Red Dragon is similarly licensed to play 'contemporary and chart music' – i.e. new music and music which is currently in the Top 40 chart for new music sales. In addition, the existing regional service, Real Radio, is an "adult contemporary" station, playing a significant volume of new and contemporary music.
- 4.2.4. The high volume of 'new music' on these three radio stations is evident in reviewing their playlists for the week commencing 21 December 2009. These demonstrate a significant commitment to 'new music', with the songs playlisted by all three stations consisting entirely of songs defined as 'new'. We have enclosed details in Appendix 1.
- 4.2.5. The second reason why Nation Radio's proposed format would replicate existing provision is that 'modern rock', which is proposed as Nation's primary genre within a multi-genre mix, is a highly prevalent and popular genre on contemporary and chart music stations. As we have already shown in paragraph 4.1.5, XFM South Wales identified strong evidence of this within South Wales commercial radio in its own 2006 licence application. Over half of the 26 most played songs on 96.4 The Wave, Red Dragon and Real Radio during XFM's survey period consisted of contemporary guitar-led tracks.
- 4.2.6. This finding reflects the popularity of 'modern rock' both as a genre in its own right, and as an influence on mainstream pop. The mainstream popularity of rock music has been led by artists like The Feeling, Kelly Clarkson and Pink, who have succeeded in fusing popular success with a clear modern rock aesthetic, as well as more conventional rock bands like Stereophonics, Oasis and The Killers. In programming a local radio station which focuses on "chart and contemporary" music, it is therefore inevitable that a large proportion of 'modern rock' music will feature.
- 4.2.7. To further explore the prevalence of 'new music' and 'modern rock' on the existing commercial radio stations in South Wales, we have noted details of some representative music output from a number of dayparts on The Wave in Appendix 2. [36].
- 4.2.8. This data strongly demonstrates that repositioning Nation Radio's output to consist of "new music" and "predominately modern rock, with other genres of appeal to the station's target audience of 15-34 year olds" would narrow the range of programming available in South Wales. We therefore propose that Ofcom rejects these aspects of Nation Radio's format change request.

### **4.3. The loss of live sessions would similarly narrow the range of programming available in South Wales**

- 4.3.1. As well as losing the diversity which only a full-time “alternative rock station” can offer, Nation Radio’s Format change request would lead to the loss of an important commitment to “weekly sessions”. These are a major part of Nation Radio’s current output and play an integral role in broadening the range of programming available in South Wales. Although local stations provide live sessions to their local markets, Nation Radio is the only regular platform for Welsh artists to perform live tracks across the entirety of South Wales.
- 4.3.2. In the research which supported its original licence application, XFM South Wales identified the important role that live sessions would play within its programming. The research indicated that they would be a crucial way of attracting underserved young rock fans to commercial radio, and broadening the range of available programming. 53% of 16-44s rated live sessions as very or quite important to them, rising to 62% amongst 16-24 year olds<sup>12</sup>.
- 4.3.3. In fact live sessions are something which many other radio stations – even local stations like 96.4 The Wave – are motivated to make an ongoing investment in, albeit on a more local scale. Live sessions are therefore by no means a financial incumbrance for a station like Nation Radio and should be at the heart of its format, both as a means of championing rock music as a genre and of promoting new compositions.
- 4.3.4. Stopping live sessions will detract from the overall quality, appeal and distinctiveness of Nation Radio’s offering – and of commercial radio’s offering in South Wales in general. We urge Ofcom to deny this aspect of the format change request.

### **4.4. The terms used in Nation Radio’s proposed new format are ambiguous**

- 4.4.1. One of the issues apparent in responding to this consultation has been the lack of clarity around the meaning of certain key terms. We have listed examples below, together with the definitions which we have assumed them to have.
- 'new music' – includes 'contemporary' and 'chart' music but is confined to tracks within two years of release
  - 'predominantly' – mainly or most commonly; i.e. over half
  - 'modern rock' – contemporary guitar led music with a clear rock aesthetic (e.g. produced by a 'rock band' or artist who cultivates a rock image)
  - 'other genres of appeal to the station's target audience' – any genre with popular appeal to the target audience (for a 15-34 audience this could include R'n'B, pop, Hip-Hop etc.)

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<sup>12</sup> XFM South Wales Ltd, 'Application for the South Wales FM licence', December 2006, p. 32

- 'local artists' – artists who regularly compose, produce or perform music within the area covered by the radio station (in this case South Wales)

4.4.2. Our response to the consultation proposes that Ofcom reject Nation Radio's proposed new format in its entirety. This has the benefit of avoiding the introduction of terms whose meanings might be open to future interpretation. However we also suggest that Ofcom might like to consider inviting future applicants with format change proposals to set out what they mean by any terms which do not already have widespread use or common understanding within commercial radio formats.

## **5. Criterion 3: The change is not conducive to the maintenance or promotion of fair and effective competition**

5.1.1. As we have seen, the effect of the proposed change to Nation Radio's Format would be to allow it to deliver less distinctive programming. In this section of our response, we demonstrate that the change would undermine the maintenance and promotion of fair and effective competition. This is because it would encourage Nation Radio to compete directly for 15-34 listening against the established South Wales commercial radio stations, rather than retaining its current focus on younger male listeners. As a regional licence, boasting superior scale and critical mass, Nation Radio would gain an unfair advantage in reaching a mainstream audience, and would ultimately undermine the viability and local impact of the smaller Swansea and Cardiff services.

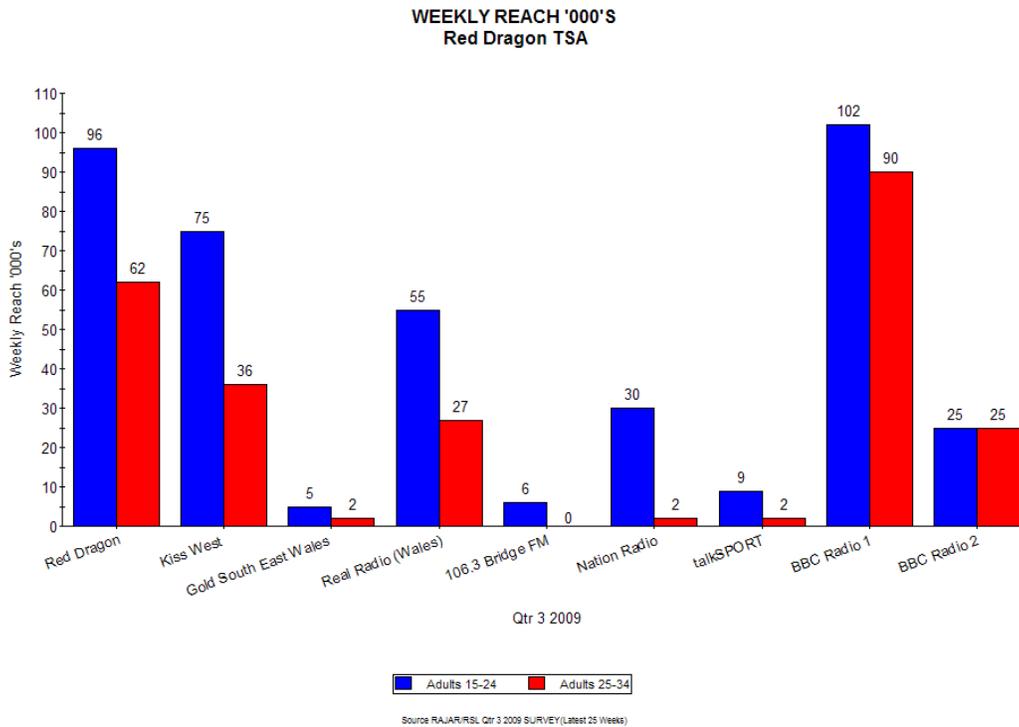
5.1.2. [X]

**5.2. The 15-34 South Wales commercial radio market is highly saturated, with the primary opportunity for growth existing amongst younger male audiences**

5.2.1. The major area of negative competitive impact of Nation Radio’s proposed format change relates to its attempt to increase the breadth of its appeal to the 15-34 listeners that The Wave and Red Dragon are licensed to attract via their own contemporary and chart music formats. (The Wave’s Format identifies a target audience of the under 40s and Red Dragon under 44s.) This represents a clear and deliberate move away from Nation Radio’s current focus on younger male listeners.

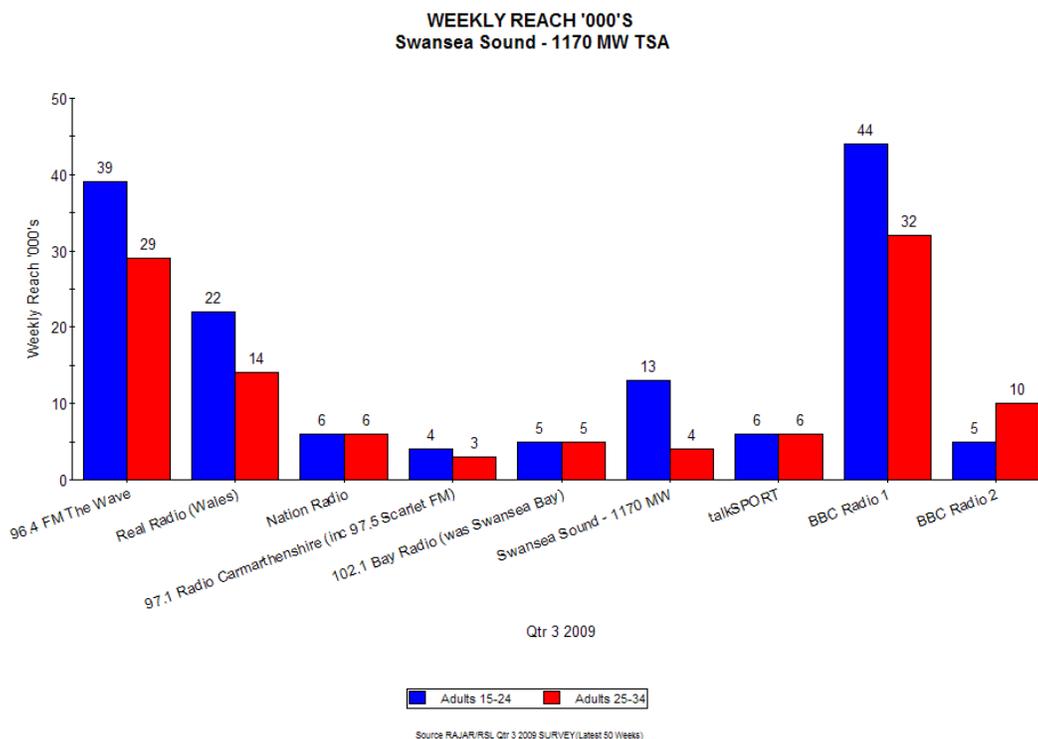
5.2.2. As Figure 1 demonstrates, Red Dragon, Kiss and Real Radio perform very well in attracting young listeners to commercial radio within the eastern part of Nation Radio’s coverage area. Similarly, Figure 2 demonstrates that 15-34 year olds in the western part of its coverage area are well served by The Wave and Real Radio. Together, Swansea and Cardiff comprise the overwhelming majority of Nation Radio’s coverage area<sup>13</sup>.

**Figure 1. 15-34 listening choices in Cardiff**



<sup>13</sup> Full breakdowns of youth listening within both Swansea and Cardiff have been provided to Ofcom in separate appendices

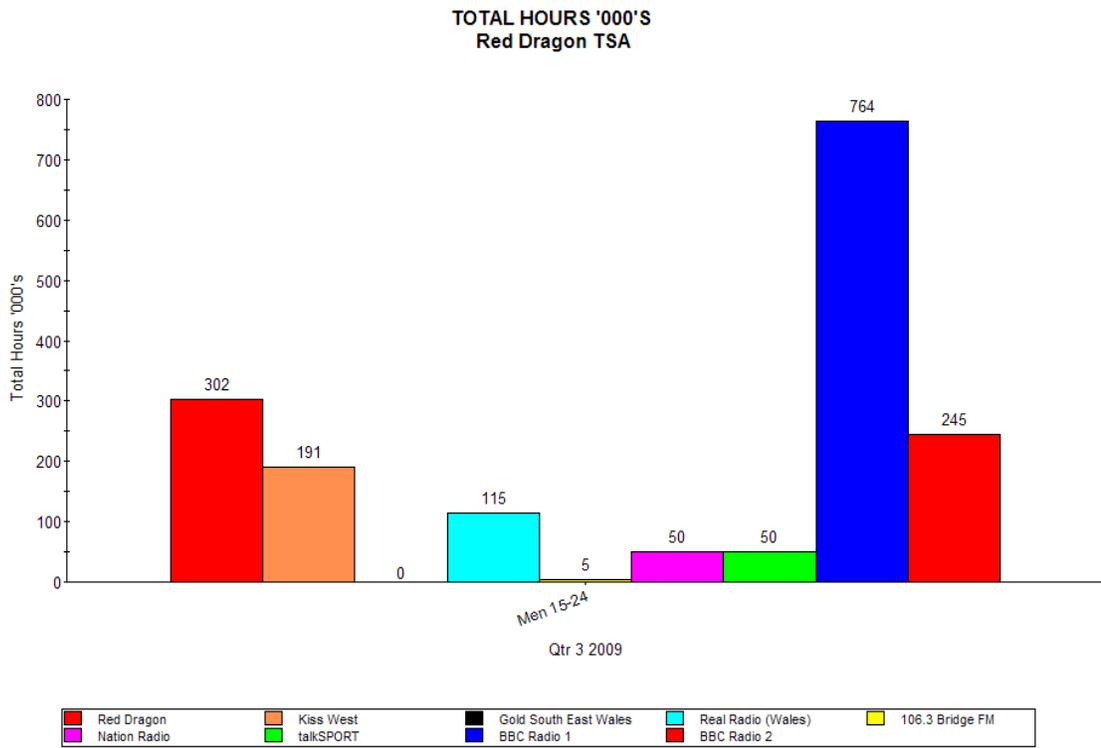
**Figure 2 15-34 listening choices in Swansea**



5.2.3. Although young audiences are well served by commercial radio in South Wales, further analysis reveals a noticeable deficit in young male listening. As Figure 3 shows, Nation Radio's major current success in Cardiff is in building its audience amongst this young male demographic. This finding is confirmed by Figure 4's breakdown of Swansea youth listening, which demonstrates that although young audiences are well served overall, services like The Wave perform slightly less well amongst young male audiences, suggesting that male 15-24s constitute the primary growth opportunity for commercial radio in South Wales.

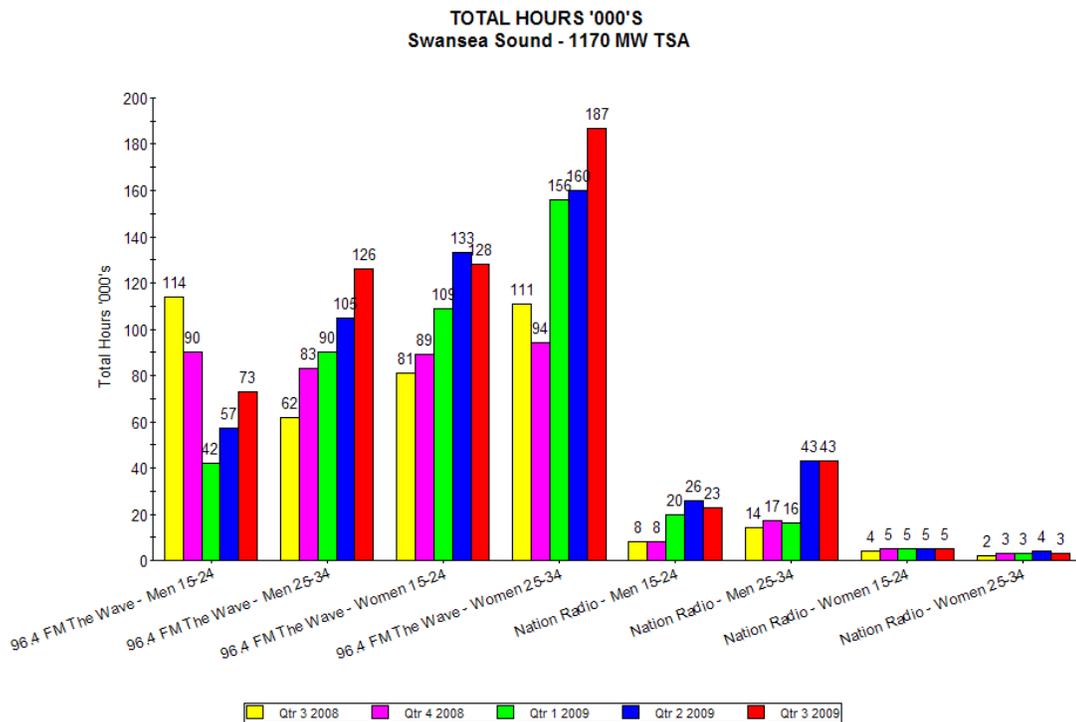
5.2.4. Nation Radio is showing early signs of developing a strong and distinctive appeal to these underserved young male listeners. It now generates 66,000 weekly listening hours amongst male 15-34s in Swansea – far outweighing the listening it generates amongst younger women in this area. In fact, Nation Radio's appeal to young male listeners is growing rapidly as the station becomes established, with weekly 15-34 male listening hours in Swansea having trebled year on year from 22,000. This suggests that Nation Radio is well on the way to establishing a distinctive and commercially sustainable proposition, particularly when Nation's (again male-biased) listening in Cardiff is factored in.

**Figure 3. Male 15-24 listening in Cardiff**



Source RAJAR/RSLS Qtr 3 2009 SURVEY (Latest 25 Weeks)

**Figure 4. 15-34 listening to 96.4 The Wave and Nation Radio (Swansea Sound TSA)**



Source RAJAR/RSLS Qtr 3 2009 SURVEY (Latest 50 Weeks)

### 5.3. Refocusing on a broader 15-34 audience would lead to Nation Radio taking listeners away from the existing South Wales commercial services

5.3.1. Nation Radio's current full-time alternative rock format reflects both the existing commercial opportunity amongst young male audiences as well as the understanding when the second South Wales licence was advertised that adding a further mainstream-formatted youth service would erode listening to the existing South Wales commercial stations rather than growing the overall market. The successful applicant, XFM South Wales, identified a clear "need for a station that can bring younger men back to commercial radio".

5.3.2. As we outlined in paragraphs 4.1.2 to 4.1.7, Ofcom agreed that the way to achieve this was by licensing a full-time alternative rock service (rather than a multi-genre service offering 'modern rock' as part of a mainstream mix). Although Nation Radio's current format does not spell out its target audience of young male listeners, this audience focus is implicit in its editorial format, was confirmed by Ofcom in awarding the licence and is underscored by Nation Radio's RAJAR performance, above.

5.3.3. In fact, whilst proposing a speech station for 50+ listeners in its own December 2006 application for the South Wales licence, Town and Country Broadcasting itself acknowledged that there was no scope for a mainstream formatted youth service in South Wales. Instead, it found that the **only gap in the market** for younger listeners was amongst 15-34 males:

*"The only other viable format looked to be for a service to target young males – to compete with BBC Radio 1 which still has a very high reach in this area"<sup>14</sup>*

5.3.4. Town and Country's conclusion that the only viable youth format was one targeting young men was based on analysis of the competitive radio landscape in South Wales. Town and Country found "significant evidence to suggest that in a market where all commercial services are music based, the second regional station must be truly distinctive. Commercially, it also must not compete in the core market of current stations. With the core audience range of commercial radio 15-44, it is clear that this goal is best served by ... targeting [a] demographic that is not currently catered for by commercial radio"<sup>15</sup>.

5.3.5. In support of this assertion, Town and Country produced data showing that the South Wales commercial radio market is a "cluttered youth market which already has Vibe (Kiss) West, The Wave, Red Dragon and Real Radio all reliant on 15-34s for an essential element of their audiences"<sup>16</sup>. Its analysis noted that "Of the four strongest local stations;

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<sup>14</sup> Town and Country Broadcasting, 'South Wales Radio: An application to Ofcom for the Independent Local Radio Licence for South Wales', December 2006, page 59

<sup>15</sup> Town and Country Broadcasting, 'South Wales Radio: An application to Ofcom for the Independent Local Radio Licence for South Wales', December 2006, page 25

<sup>16</sup> Town and Country Broadcasting, 'South Wales Radio: An application to Ofcom for the Independent Local Radio Licence for South Wales', December 2006, page 59

Red Dragon, The Wave and Vibe (Kiss) all have 15-34 biased profiles”<sup>17</sup>. Town and Country also showed that local commercial radio had lost market share following the licensing of the first South Wales regional licence – Real Radio – with a format that allowed it to compete head on with existing local stations. Town and Country found that such an outcome would be repeated to damaging competitive effect if a further station was introduced with a format appealing to young people.

- 5.3.6. In its current request, Town and Country Broadcasting has failed to produce any evidence to suggest that the competitive dynamics within South Wales have shifted since its previous assessment. Indeed, as we have shown above, younger listeners remain well-served overall within South Wales, with the primary opportunity remaining amongst younger male listeners.
- 5.3.7. Nation Radio’s ambition to widen its demographic focus to encompass a broader youth audience becomes apparent when its format change application quotes Ofcom’s 2007 statement that the “applicant’s chosen target audience of 15-34 year-old males is relatively underserved by existing local commercial radio services”. Nation Radio then claims that its amended format is designed to “appeal to the same 15-34 demographic”, except that it omits any reference to retaining its current focus on young men<sup>18</sup>. This indicates a desire to drop its current commitment to focusing on a 15-34 male audience amongst which it is making important progress in order to attract a wider base of 15-34 year olds – primarily consisting of those who are already well-served by commercial radio.
- 5.3.8. There was widespread understanding amongst all the original applicants for the second regional South Wales licence that a youth station with a broad appeal would not be an appropriate addition to the local radio market, given the nature of existing provision. This led applicants such as ourselves, Town and Country Broadcasting, Original Radio and GMG Radio to propose services for older audiences.
- 5.3.9. Other applicants recognised – like XFM – that the only viable youth audience to focus on was underserved young men who like rock music, an insight which led to a large number of applications with rock formats. These included Wicked FM, whose audience research found that the “most obvious commercial market gap” was for “an under 35s station with particular appeal to men”, which led it to propose a full-time rock service. Wicked FM found no gap in commercial radio’s offering for women of any age, except for a possible opportunity, “albeit small”, for a service appealing to older listeners<sup>19</sup>. Another applicant for the licence, Dave FM,

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<sup>17</sup> Town and Country Broadcasting, ‘South Wales Radio: An application to Ofcom for the Independent Local Radio Licence for South Wales’, December 2006, page 58

<sup>18</sup> Ofcom, ‘Format change request – Nation Radio’, November 2009, p. 12

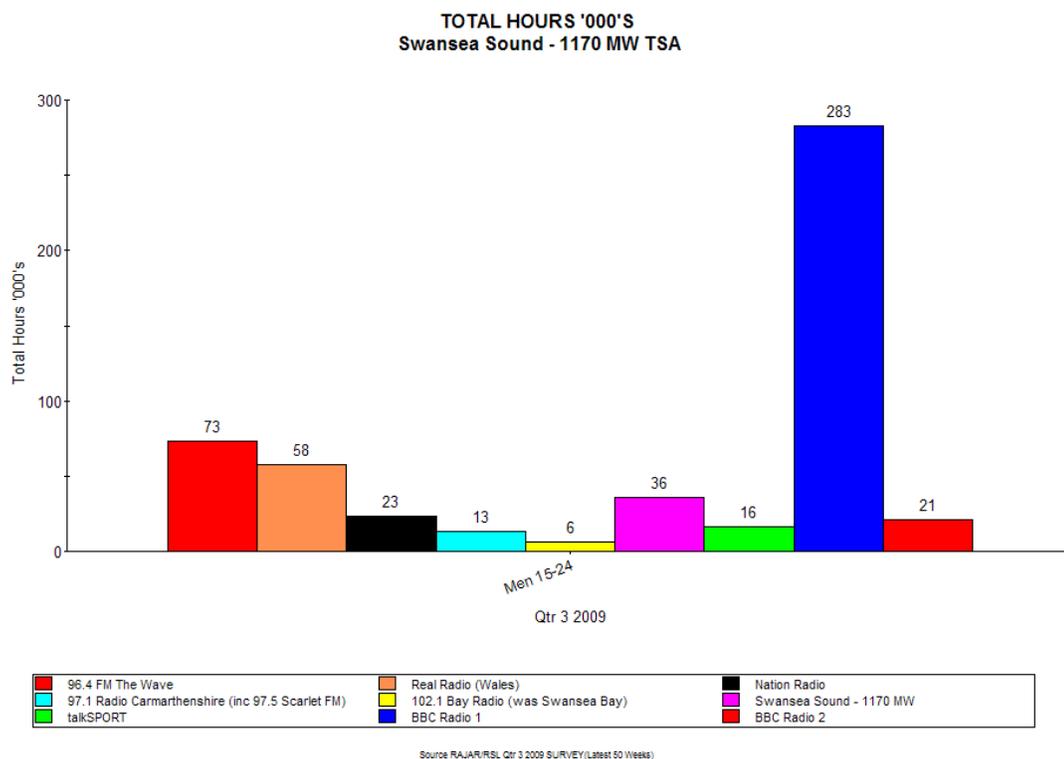
<sup>19</sup> Wicked FM, ‘An Application to Ofcom for the Independent Local Radio Licence for South Wales’ December 2006, page 54

similarly identified a need to focus on men, noting that “Existing local commercial radio stations have a strong female bias”<sup>20</sup>.

5.3.10. Kerrang South Wales reached a similar conclusion, finding that “demand for rock music is massive in the area, with 30% of respondents to our survey saying they would like to see a rock station launch”. Kerrang added that this was “almost double the appeal of all other genres, with speech/talk being the closest rival with 18%”. This led Kerrang to propose a service playing “mainly modern rock from the present day and partly classic rock from the past” – with a strong appeal to younger male audiences<sup>21</sup>.

5.3.11. Ofcom’s decision to subsequently award the South Wales licence to XFM South Wales – since rebranded as Nation Radio – has undoubtedly improved commercial radio’s offering for young men in South Wales whilst minimising negative competitive impact on existing stations. In fact, as Figure 5 confirms (complementing the picture painted in Cardiff by Figure 3), there remains a clear gap for a service aimed at younger men – an audience which Nation Radio is best placed to reach if it retains its existing alternative rock format.

**Figure 5 Male 15-24 listening in Cardiff**



<sup>20</sup> Dave FM, ‘Application to Ofcom for South Wales Area Analogue FM Radio Licence’, December 2006, page 23

<sup>21</sup> Kerrang! Radio Wales, ‘An Application For The South Wales Radio Licence’, December 2006, page 23; page 33

## **Increased direct competition from Nation Radio will restrict the viability of existing local radio operators in South Wales**

5.3.12. There is therefore clear evidence that the introduction of a further multi-genre formatted youth station would take listening away from existing radio stations in South Wales like The Wave and Red Dragon, and in so doing miss an opportunity to extend commercial radio's reach in the region by appealing to underserved young male audiences. The negative competitive impact of this arises due to knock-on reductions in advertising revenue at Red Dragon and The Wave. These would be particularly apparent in the area of national advertising, since the price which national advertisers pay for airtime is directly based on measured listening hours data. However there would also be a clear erosion of these stations' appeal to local advertisers.

5.3.13. Although we welcome and embrace competition, local radio markets are not normal competitive markets, as stations are licensed to deliver significant public policy objectives, rather than being free to deploy spectrum in whatever way they see fit. This means that our own stations in South Wales – The Wave and Swansea Sound – are tasked with delivering local programming of sufficient quality to appeal to local audiences. This is a challenge which we have met with enthusiasm as an Ofcom licensee, but it does mean that we are not immune to the damage which a larger competitor without similar local programming obligations could create.

5.3.14. We have conducted a financial modelling exercise to predict the effect on The Wave and Swansea Sound's profitability of reductions to their audiences due to a significant audience uplift for Nation Radio. This is summarised in Figure 4 and detailed more fully in Appendix 4 and is highly confidential. This financial modelling predicts that our own local radio operations in Swansea will become unprofitable if the Nation Radio format change is granted and the station successfully repositions its output, making full use of the editorial freedom available to it.

5.3.15. [REDACTED]

5.3.16. [REDACTED]

5.3.17. [REDACTED]

### **Figure 4 Projected change in The Wave profitability following Nation format change**

[REDACTED]

5.3.18. This data should be considered as speculative, but it highlights the very real competitive impact that the change proposed by Nation Radio would have on other local operators. Against a backdrop of fragile market economics, changes of this kind risk transforming invaluable local stations into low-margin or loss-making services. The change would ultimately have a further knock-on effect on the range of programmes available in the area, as it would damage the quality of other services by depriving them of funding.

5.3.19. We urge Ofcom to ensure that Nation Radio continues to strive towards viability by catering to its target audience of underserved male 15-34s, or else chooses to surrender its licence. Either of these outcomes should be seen as an opportunity to prosper commercial radio in South Wales, in line with Ofcom's published strategic vision. The retention of Nation Radio with its existing format would maintain the current service to the station's rapidly growing young male audience. Alternatively, the closure of the station would improve the strength and viability of the local radio stations in the region, whilst stimulating demand for the national digital services that cater to a young male demographic – such as NME Radio. The third option – allowing Nation Radio to adjust its target audience and compete directly with The Wave and Red Dragon – cannot but be seen as a threat to the maintenance and promotion of fair and effective competition in the region.

## **6. Criterion 4: There is no evidence of demand or support for the change**

### **6.1. Evidence shows high demand for a full-time rock service in South Wales**

- 6.1.1. As well as narrowing the range of programming available in South Wales, and restricting competition, research shows that Nation Radio's proposed change to its format flies in the face of listener demand. As we have already demonstrated in assessing this format change request against Ofcom's other criteria, the high demand for a dedicated full-time alternative rock station catering to young men was key to Ofcom's decision to award the South Wales licence to XFM South Wales, with research indicating this was the most popular format amongst underserved audiences. Against this compelling evidence against the proposed format change, Town and Country has failed to publish any data demonstrating that it has the support of its listeners.
- 6.1.2. A further assessment of the listener research assembled by applicants for the South Wales licence underscores the lack of listener demand for Nation Radio's proposal, and highlights the continuing demand instead for a full-time alternative rock station for South Wales. This data also again demonstrates the likely narrowing of choice and damage to local competition that would be witnessed in the region if this change were granted.
- 6.1.3. Firstly, the quantitative strand of XFM South Wales's research found that there was already wide availability of multi-genre formatted stations for younger listeners in both Swansea and Cardiff, and that younger audiences preferred to see an alternative rock station rather than a broader formatted station, such as Nation Radio is now proposing. In the absence of any existing provision, XFM found that "demand is strongest [amongst 16 to 44 year olds] for rock-based formats. This came through clearly in unprompted responses to a question asking respondents to give us an indication of the styles of music their ideal radio station for South

- Wales would play". Further research demonstrated that this demand for rock music was particularly strong amongst those aged under 35<sup>22</sup>.
- 6.1.4. A companion qualitative study by the research agency TWR found that "Commercial, unchallenging music tastes" were "well catered for", and that the major market absence was "provision for alternative, breakthrough or indie music". The study identified "a gap for a more niche regional music led station catering for alternative music. Only the BBC is currently seen as catering for more niche music tastes ... The other local and regional stations were viewed as being more mainstream concentrating on top 40 pop with little position for alternative music"<sup>23</sup>.
- 6.1.5. Other applicants similarly identified that there was higher listener demand for a rock music service than for a mainstream multi-genre service. Another applicant for the South Wales licence, Wicked FM, found demand in South Wales for "more rock music, and indie rock music in particular. 46 per cent of people survey between 18 and 29 in South Wales wanted to hear more indie rock, and over 30 per cent of those aged between 30 and 39". Wicked FM accordingly proposed an "entirely guitar based rock music" station<sup>24</sup>.
- 6.1.6. Finally, in concluding this section, we refer Ofcom to two key findings from its own research.
- 6.1.7. Firstly, evidence suggests that the current system of carefully defined music formats is delivering valued choice for Welsh radio listeners. Only 3% of people are dissatisfied with the choice of radio stations available to them<sup>25</sup>, and radio listening per head in Wales is the highest of any nation in the UK<sup>26</sup>.
- 6.1.8. Secondly, evidence also suggests that regional licences should continue to be used to cater to those audience groups which cannot be served on a local basis – or even that they should be repurposed as part of national networks. Ofcom found that only 9% think that a region is the most appropriate area for a local station to cover<sup>27</sup>.
- 6.1.9. Taken together, these findings indicate that radio listeners in South Wales would not welcome the creation of a further regional station offering a multi-genre mainstream mix of music and only regionally-relevant content, in place of an existing distinctively formatted station which presents only a limited competitive threat to valued local radio stations.

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<sup>22</sup> XFM South Wales Ltd, 'Application for the South Wales FM licence', December 2006, p. 49

<sup>23</sup> XFM South Wales Ltd, 'Application for the South Wales FM licence', December 2006, p. 52

<sup>24</sup> Wicked FM, 'An Application to Ofcom for the Independent Local Radio Licence for South Wales' December 2006, page 26; page 49

<sup>25</sup> Ofcom, Communications Market Report 2009, August 2009, page 193

<sup>26</sup> Ofcom, 'The Communications Market 2008: Nations and Regions – Wales', May 2008, page 7

<sup>27</sup> Ofcom, 'Radio: the Implications of Digital Britain for localness regulation', July 2009, page 23

## **7. Conclusion**

7.1.1. Our analysis shows that Nation Radio's proposed change of format fails to meet any of the required criteria. Taken together, the proposed change narrows the range of programming available in South Wales, undermines fair and effective competition, and contradicts what listeners want from the second regional South Wales service. We believe that Ofcom should refuse to allow any aspect of the requested change and direct the licensee to continue in the objective for which it was licensed – that is catering to an underserved audience of 15-34 men.

UTV Media (GB), December 2009

## Appendix 1: The Wave music output – compatibility with Nation Radio Format

[X]

**Appendix 2: South Wales commercial radio playlists  
(as published online week commencing 21 December 2009)**

**Real Radio Wales**

Michael Buble – Haven't Met You Yet  
Cheryl Cole – Fight for This Love  
Robbie Williams – You Know Me  
Black Eyed Peas – Meet Me Halfway  
Westlife – What About Now  
Take That – Hold Up a Light  
Joe McElderry – The Climb  
Pixie Lott – Cry Me Out  
Leona Lewis – Happy  
Mini Viva – I Wish  
Mika – Rain  
Stereophonics – Innocent  
Michael Buble – Hold On  
Lily Allen – Who'd Have Known  
Lady Gaga – Bad Romance  
Paolo Nutini – 10 Out of 10  
The Saturdays – Ego  
Girls Can't Catch – Echo  
Alexandra Burke – Broken Heels

Percentage 'new music': 100%  
Duplication with current Nation Radio playlist: 0%

**Red Dragon**

Alexandra Burke ft. Flo-Rida - Bad Boys  
Beyonce - Broken-Hearted Girl  
Beyoncé - Sweet Dreams  
Black Eyed Peas - I Gotta Feeling  
Black Eyed Peas - Meet Me Halfway  
Britney Spears - 3  
Calvin Harris - Flashback  
Cheryl Cole - Fight For This Love  
Chipmunk - Oopsy Daisy  
David Guetta - Sexy Chick  
Dizzee Rascal - Dirtee Cash  
JLS - Everybody in Love  
Jay Sean feat. Lil Wayne - Down  
Jay Z - Empire State of Mind  
Jordin Sparks - S.O.S (Let The Music Play)  
Ke\$ha - Tik Tok  
La Roux - Quicksand  
Lady GaGa - Bad Romance  
Leona Lewis - Happy  
Lily Allen - Who'd Have Known  
Mr Hudson ft. Kanye West - Supernova  
N Dubz - I Need You

Pixie Lott - Cry Me Out  
Pixie Lott - Boys & Girls  
Rihanna - Russian Roulette  
Robbie Williams - You Know Me  
Sean Kingston - Face Drop  
Snow Patrol - Just Say Yes  
Sugababes - About A Girl  
Taio Cruz - Break Your Heart  
The Saturdays - Forever Is Over  
Whitney Houston - Million Dollar Bill  
Tinchy Stryder - You're Not Alone  
Tinchy Stryder ft. Amelle - Never Leave You

Percentage 'new music': 100%  
Duplication with current Nation Radio playlist: 0%

#### **96.4 The Wave**

Cheryl Cole – Fight For This Love  
Alexandra Burke – Broken Heels  
Leona Lewis – Happy  
Pixie Lott – Cry Me Out  
Robbie Williams – You Know Me  
Rihanna – Russian Roulette  
Take That – Hold Up A Light  
Kesha – Tik Tok  
Black Eyed Peas – Meet Me Halfway  
X Factor Winner – The Climb  
Alicia Keys – Doesn't Mean Anything  
Chipmunk – Look For Me  
Jason Derulo – Whatcha Say  
Westlife – What About Now  
Cheryl Cole – 3 Words  
Girls Can't Catch – Echo  
Saturdays – Ego  
Beyonce and Lady Ga Ga – Videophone  
Jordin Sparks – Don't Let It Go to Your Head  
IYAZ – Replay  
Private – My Secret Lover  
Jay Z – Young Forever  
Taio Cruz – No Other One  
Esmee Denters – Admit It  
One Republic – All The Right Moves  
Shakira – Did It Again

Percentage 'new music': 100%  
Duplication with current Nation Radio playlist: 0%

#### **Nation Radio**

The Temper Trap – Sweet Disposition  
Kasabian – Underdog

Muse – Undisclosed Desires  
Arctic Monkeys – Cornerstone  
Florence and the Machine – You've Got The Love  
30 Seconds to Mars – Kings and Queens  
Stereophonics – Innocent  
Snow Patrol – Just Say Yes  
Foo Fighters – Wheels  
Stereophonics – Could You Be The One  
The Temper Trap – Fader  
Passion Pit – Little Secrets  
Owl City – Fireflies  
Death Cab for Cutie – Meet Me at the Equinox  
Biffy Clyro – Many of Horror  
Green Day – 21st Century Breakdown

Percentage 'new music': 100%

**Appendix 3 – Breakdown of Listening in Cardiff TSA (separate attachment)**

**Appendix 4 – Breakdown of Listening in Swansea TSA (separate attachment)**

**Appendix 5 – Financial modelling of impact of Format Change on The Wave and Swansea Sound (separate attachment)**