

The Future Of Radio: The Future Of FM And AM Services And The Alignment Of Analogue And Digital Regulation

Response by Ofcom's Community Radio Fund Panel

26 June 2007

1. Introduction

1.1 The Community Radio Fund Panel (The Panel) was established in September 2005 by the Ofcom Board to dispense grants to duly licensed community radio stations under the terms of Section 359 of the Communications Act 2003 from a fund (The Fund) made available by the DCMS.

1.2 In its first two full years of operation the Panel received applications for funding from 120 applicants in the amount of £4,746,107, and made grants to 57 stations in the amount of £1,274,001.44. (Funding applications for the first round of applications for 2007-8 were considered on 20 June and information on the grants made by The Panel will be published shortly on Ofcom's website.)

1.3 The flow of funding from the DCMS via The Panel to eligible stations has been distorted by Treasury rules on funding 'roll over'. The initial settlement on The Fund was £500,000 per year from 2005-2008. The sum total of grants is as follows:

2005-6	£450,000
2006-7	£830,000

In 2006-7, £50,000 was 'top sliced' by the DCMS from The Fund for the Community Media Association.

1.4 The Panel determined at its first meeting that grants should be focused on activities likely to make stations more economically self-sufficient and on joint applications for shared services (training, marketing) where stations are not in competition.

1.5 Even though The Fund has a short history, it can easily be seen that its scope is severely limited:

- Grants have varied between £5,000 and £37,539 with an average in 2005-6 of £26,119 and an average in 2006-7 of £20,749. (Although most grants were in support of one post, some stations received grants for more than one purpose,

and some of these were for joint projects with other stations. These figures reflect total payments.)

- Exceptional two-part grants have been made because of the 'roll over' problem in 2006-7 but, by and large, until the flow of new applicants diminishes, stations can only expect a single start-up grant.
- The Fund could increase the number of recipients by spreading its resources more thinly.

1.6 When the Chair of the Panel and Ofcom's Manager of Community Radio met the Minister responsible for Community Radio, Sean Woodward MP, on 8th May 2007 he made it clear that DCMS anticipates that the Fund will be continued for a further three year period, subject to the Treasury spending review.

1.7 This new sector is financially fragile. It will be interesting to see the relative performance of similar stations which received and did not receive grants from the Fund (often the difference between failure and success in obtaining a grant was very small).

1.8 It is therefore important that Ofcom, in its 'Future of Radio' proposals with regard to community radio, has a full understanding of the finances of the sector.

2. Response to Ofcom Proposals

The Panel's response refers only to the proposals put forward with regard to community radio in section 6 of the 'Future of Radio' consultation. All numbers in brackets refer to numbering in Proposal 6 in the consultation document.

Many of the community radio proposals require new legislation. Ofcom notes that community radio services are "more heavily regulated than their commercial counterparts" (paragraph 6.121, Future of Radio). The Panel supports this observation, and would urge that once Ofcom has made its recommendations to government regarding changes to the Community Radio Order, government act as soon as possible to bring such changes into legislation.

2.1 One of the key factors to emerge both from our direct experience and from DCMS Research ('The Community Radio Sector: Looking to the Future' published by in November 2006) is that community radio stations provide two distinctive kinds of community benefit or 'social gain', namely:

- The provision of distinctive content
- The provision of training, participation and expression to communities.

These are two separate facets of the public sector priority of reducing social exclusion. We believe that the two distinct components should be retained as specific requirements for 'community benefit' (6.8).

2.2 In a pluralistic media world the criterion which counts is not “catering for the tastes and interests” but “catering for a taste or interest not otherwise met by existing across-the-board provision”. This area should be re-considered simply because it is so complex (6.3).

2.3 It is difficult to produce evidence of demand, particularly from communities or parts of communities that lack self esteem or do not have a tradition of community leadership and advocacy (6.5).

2.4 We would be prepared to consider the terms under which stations report to their community but we would not be prepared to see that accountability in any way weakened, particularly as other regulatory requirements are quite properly being relaxed in order that they should be proportionate (6.7).

2.5 The Panel did not reach a consensus on the ownership limit. On the one hand a view was expressed that the current ownership regulations are too rigid. Neighbouring community radio stations providing similar material (eg stations for specific ethnic minorities in Liverpool and Manchester) might benefit from common ownership, underpinned by the local requirements for each station. On the other hand it was argued that the current ownership limits are appropriate. The direct input of the community at all levels in a community radio station is crucial to its wellbeing and anything that dilutes or weakens this link, such as ownership by another group, especially one outside the geographical area, should be resisted (6.12).

2.6 We are aware that there are community radio stations which, under the terms of current legislation, have geographically local reach but which are, in effect, broadcasters to communities of interest (e.g. faith channels, Angel for the elderly, Insight for blind and visually impaired people). This is a waste of capacity which should be used for specifically geographically defined community radio, with stations dealing with communities of interest being given national broadcasting capacity. In the meantime, it is important that a concentration of ownership does not develop, establishing identical multi-location services, with national aspirations, via the back door (6.16).

2.7 Financial restrictions on radio stations are too rigid. The current rules particularly adversely affect the smallest stations with the lowest turnover as they may not be allowed to accept the whole of a one-off grant. The Panel has already been prevented from making reasonable grants to some of the smallest stations because of the 50% restriction. We propose that the restriction be lifted so that no licence holder (station) can receive more than 2/3 of its income from one source over a period of three years. This will allow small stations to receive large sustaining grants from local sources (6.9).

2.8 We welcome the possibility for community radio stations to account for volunteer time. For most stations the volunteer base is essential to their continued existence and is their biggest asset. The legislation requires that it is a characteristic of community

radio that opportunities are offered for participation in the operation and management of the service, and in practical terms for most stations this means the involvement and encouragement of volunteers. The contribution of volunteers should now be financially recognised by placing a value on it for assessing turnover (6.10).

2.8 We accept the proposal to relax the conditions of licence renewal (6.14).

2.9 The Panel believes that restrictions 'protecting' commercial radio services from competition from community radio should be dropped or modified (6.15). If Ofcom is proposing to reduce the regulation of commercial radio services, then it should also support the removal of the protective measures enshrined in the Community Radio Order. These include:

- The income restriction of 50% maximum from advertising and sponsorship. The Panel believe this needs modification rather than removal and would suggest an annual limit of 66% from such sources. The Panel notes that Ofcom is gathering evidence from the sector on its finances and may bring further proposals for consultation in this area later in the year.
- The Panel supports the removal of the rules around 'restricted areas' (to protect small-scale commercial services). These prevent Ofcom from licensing community services which overlap with a commercial service with fewer than 50,000 adults in its MCA; and prohibit income from advertising or sponsorship on services which overlap with a commercial service with 50,000-150,000 adults in its MCA.
- The Panel supports the removal of the requirement for Ofcom to consider the potential economic impact of licensing a community radio services on any commercial radio and community radio services.

2.10 The restriction of community radio to licensed spectrum made available on a 'fill-in' basis will not meet the needs for which this new sector was opened. Those who suffer most from frequency rationing are the huge number of diverse and deprived people in our urban areas. It would be social gain of a sort but deeply ironic if the prime beneficiaries of community radio were to be small rural communities. The presence of pirate radio stations may represent criminal activity to a certain extent but Ofcom needs to investigate whether it also meets an unmet community need (6.16).

2.11 We are aware that it may soon no longer be possible to consider community radio in a medium silo. Ofcom should take the opportunity during its two-year review of community radio near the end of 2007 to consider it in the context of community television and community digital publishing in the round set against its PSP proposals. Although not of direct relevance to this submission, there will be a point at which the DCMS Fund will be anachronistic if it is confined to spectrum-based community radio and it would be unfortunate if public sector funding of community publishing were to be fragmented between such dichotomies as radio/television; linear/on-demand,

spectrum/internet.

Summary, re: Proposal 6.

- 6.1 Agreed in part; see 2.1
- 6.2 Agreed; but see 1.6-1.8
- 6.3 Agreed; see 2.2
- 6.4 Agreed as in 6.3; see 2.2
- 6.5 Agreed; see 2.3
- 6.6 Agreed but see 2.1
- 6.7 Agreed in part; see 2.4
- 6.8 Not agreed; see 2.1
- 6.9 Agreed; see 2.7
- 6.10 Agreed; see 2.8
- 6.11 Agreed
- 6.12 No consensus; see 2.5
- 6.13 Agreed
- 6.14 Agreed; see 2.8
- 6.15 Agreed; see 2.9
- 6.16 Agreed; see 2.6 and 2.10.

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