



Department
for Culture
Media & Sport

Community Radio Consultation Report

Government Response January 2015

Department for Culture, Media and Sport consultation on ‘Community Radio’

Summary of responses – and Government response – to the consultation

About the consultation

Aimed at: The consultation was primarily aimed at community and commercial radio operators, stakeholders and others who have an interest in the radio sector

Duration: From 13 February 2014 to 23 April 2014

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Additional copies

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1. Foreword from Ed Vaizey, Minister for Culture and the Digital Economy

As Minister for Culture and the Digital Economy, I am pleased to be able to report on the outcome of the Department for Culture, Media and Sport's Community Radio Consultation that took place between 13 February and 23 April 2014.

The consultation sought views on possible changes to the current restrictions on community radio to raise funding from advertising, sponsorship or other commercial sources and on granting community radio licensees the ability to renew their licences for a further five-year term.

I am very grateful to all those individuals and organisations that have sent us their views. The responses expressed a variety of views, many of which favoured our proposals.

After careful consideration of all the responses to the consultation, we have concluded that we should proceed with the proposals to relax restrictions on advertising and sponsorship for community radio, in certain circumstances, and give a power to Ofcom to extend licence duration for community radio stations for a third five year term where satisfied a station meets set obligations. However, we have taken account of the points raised by commercial radio stations and will retain some restrictions for community stations operating in local markets where there is a smaller independently-run commercial station.

The regulations that amend the Community Radio Order have been drafted and will be laid in Parliament later this month.

Further details of the responses to the consultation, and the Government's response to these, are set out within this report.

2. Executive summary

Since its creation in 2005, community radio has become an integral part of the modern radio landscape - supporting local news and information and promoting localness and community cohesion. The Community Radio Order 2004 as amended by the Community Radio (Amendment) Order 2010 sets out the regulatory framework and powers under which Ofcom issues licenses to community radio and ensures compliance with requirements. Over 290 stations have now been licensed, of which 217 are currently on air.

When community radio was first introduced, stations were subject to very strict financial requirements. The purpose of these restrictions was two-fold. First, as a mechanism to limit the commercialisation of new community stations and help secure the delivery of social gain to its listeners and local community. Secondly, to provide an appropriate level of protection to existing small commercial radio stations, who unlike community radio operate to make a profit, at a time when the impact of community radio stations could not be quantified.

Demand for community radio licences remains high as evidenced by the recent Ofcom licencing round. However many successful established stations have struggled to develop sustainable business models and the sector as a whole has seen average incomes decline year on year since 2007, due in part to a reduction in available grant income. Although community radio has responded well to these pressures, the Government concluded that there was a need to review, whether the financial restrictions that apply to community radio needed to be relaxed.

In July 2013, in the 'Connectivity, Content and Consumers: Britain's digital platform for growth', strategy paper, the Government announced that we would consult on possible changes to the Community Radio Order. A consultation document was published on 13 February 2014 and set out a number of options for change. In total, around 100 responses were received mainly from community radio stations and commercial radio stations.

The consultation responses, which are considered here, showed a clear divergence of view: the community radio sector broadly supports changes whilst the commercial radio sector is opposed to any further relaxations.

The overwhelming feedback from the community radio sector was support for increased flexibility for community radio stations, particularly stations subject to the "absolute rule" who because they operated in an area with a small commercial station serving 150,000 fewer adults are prevented from taking any commercial income at all. The responses revealed examples of where community stations have had to reduce their services or in some cases turn away sponsorship from local businesses. The responses from the community radio sector also supported proposals to allow licences to be extended to give stability to established and successful community radio stations.

In contrast, the comments from commercial radio stations were mostly opposed to any relaxations raising concerns about the impact on smaller commercial stations. The main concerns were that community radio stations would have more freedom to compete directly with commercial stations, undermining the viability of small, independently run commercial stations. However, a number of the comments raised the issue of the enforcement of existing obligations by Ofcom and concerns about the ability of Ofcom to hold community stations to their licence conditions.

Having considered very carefully all the comments and contributions made and taken further views from sector bodies, the Government believes that case for changes to the current restrictions has been made. However, in drawing together the changes, we will continue to ensure that protections remain in place for the smallest, independently run commercial stations

The Government is therefore planning to bring forward the following package of changes to the Community Radio Order 2004

- For all community radio stations to be able to raise annual income to a maximum level of £15,000 from advertising and/or sponsorship before application of any other current rule (i.e. 50% of annual income from advertising and/or sponsorship applies).
- For small community radio stations operating in the same locality of a small commercial station (where the commercial station takes no benefit under the Digital Economy Act 2010) to now take income from advertising and/or sponsorship to a maximum level of £15,000.
- For small community radio stations operating in a same locality of a small commercial station (where the commercial station or group of stations receives a benefit under the Digital Economy Act 2010 i.e. shares local or programmes costs) then the community radio station will take income from advertising and/or sponsorship at a maximum of £15,000 and, as determined by Ofcom, an additional level of annual income of up to 50% from advertising and/or sponsorship.

Example

Where a community radio station has an annual income of £100,000 it would be allowed to raise £15,000 per annum from advertising and/or sponsorship and a further 50% (maximum) of their annual income disregarding the £15,000 (i.e. $(£100,000 - £15,000) \times 0.5 = £42,500$) from the same sources. The total raised would be $(£15,000 + £42,500) = £57,500$.

- To provide Ofcom with power to extend licence for community radio for a further term of up to 5 years, where it is satisfied the community radio station continues to meet its licencing conditions. This will allow licences to increase from current total of 10 years to 15 years.

We recognise that evidence base evaluating on the impact of community radio on the communities served is currently limited and we will consider whether research is needed to address this gap. We will involve the Community Media Association and Radio Centre, (the Commercial Radio representative body), in this project.

The amendments to the Community Radio Order 2004 will include transitional provisions to ensure stations whose licences are due to expire later in 2015 can renew these for a third 5-year term from that date.

3. Introduction

3.1 Background

3.1.1 Community radio stations are run, by not-for-profit organisations, to provide 'social gain' to the communities they serve, rather than for commercial reasons. The stations governed by the Community Radio Order 2004, establishes the regulatory framework and powers under which Ofcom issues licenses to community radio.

3.1.2 The first community radio stations were launched in 2005 and since then the sector has continued to grow. Over 293 stations have now been licensed, of which 217 are currently on air. Whilst demand for community radio licences is high, many have reported financial pressures. This appears to be borne out from figures collected by Ofcom, which since 2007 suggests a decline in average income across the sector from £84,000 to £57,000 in 2012. To date, 40 stations licensed by Ofcom have handed their licence back, or been revoked, of which 18 never managed to launch on-air services. In many cases, the challenge of being able to secure securing sufficient funding to cover essential costs was cited as the main reason for this.

3.1.3 Whilst demand for community radio licences remains high, many established stations continue to struggle to build long-term and sustainable business models. And, with the average income declining year on year since 2007, due in part to a decrease in available support from local authorities and other public bodies, the focus needs to be on supporting community stations to be able to do more for themselves in terms of generating their own income and, in so doing, provide greater scope for successful community stations to remain financially viable in the medium to long-term.

3.1.4 In the DCMS review of the media and telecommunications sector, '*Connectivity, Content and Consumers: Britain's digital platform for growth*', published on 30 July 2013, the Government announced that it would consult on the current funding restrictions for community radio. The consultation to also consider the extent in which current rules act as unnecessary barriers to the sustainability of the sector, and whether they remain necessary to secure the unique nature of community radio.

3.1.5 When Community Radio legislation was first introduced in 2004, stations were subject to strict financial requirements. These restrictions:

- prevented community radio stations from being licensed if the service would overlap with a commercial station whose measured coverage area (MCA) includes 50,000 adults or fewer;

- prevented community radio stations which overlapped with a commercial radio station whose MCA includes fewer than 150,000 adults from taking any advertising or sponsorship;
- placed an upper limit on advertising and sponsorship of no more than 50% of a station's annual income. In determining the appropriate amount of advertising permissible for individual stations, Ofcom were also required to consider and take into account the need not to prejudice unduly the economic viability of other commercial stations;
- prevented community radio stations from receiving more than 50% of their income from any one source.

3.1.6 The underlying principle of applying funding restrictions to community radio was two-fold: first, as a mechanism to limit the commercialisation of the sector and as a result help secure the delivery of social gain; and secondly, to provide an appropriate level of protection to existing small commercial radio stations at a time when the impact of community radio stations could not be quantified. It is for this reason that the Government committed in 2010 to keep the sector under review.

3.1.7 It was following such a previous review that the Government introduced the Community Radio (Amendment) Order 2010. This lifted the restrictions on community radio stations taking more than 50% of their income from a single source and removed the rule preventing the licensing of community radio stations in areas of overlap with a commercial radio station whose measured coverage area (MCA) included 50,000 adults or fewer.

3.1.8 Despite the 2010 changes, DCMS has continued to receive a growing number of representations from the community radio sector and from Members of Parliament reporting a decline in radio stations' income and increasing difficulties in accessing funding. This is supported by Ofcom's market analysis that shows a steep decline in the sector's revenue. Ofcom's analysis also shows that community radio stations have consistently operated on very small margins and in each of the last four years, the average expenditure of the sector has been greater than the average income. In 2011 the gap between average costs and income rose by more than 50% though in 2012 the gap narrowed. This may have been as a result of community radio stations cutting costs to remain viable.

3.2 Consultation process

3.2.1 The consultation was launched electronically on GOV.UK website, in English only, with copies in other formats available on request.

3.2.2 At the launch, the Department for Culture, Media and Sport (DCMS) informed and invited comments from the following stakeholders: Community Media Association – key representative member body for community radio, Radio Centre – key representative member body for commercial radio, and Ofcom – the regulatory and licencing body. All radio customers and the general public were invited to participate by means of a message posted on the DCMS website.

3.2.3 The consultation document questionnaire, asked respondents for their views on whether:

- i. to lift the restriction preventing community radio stations from taking any income from on-air advertising or sponsorship if they overlap with a commercial radio licence whose coverage area includes 150,000 adults or fewer;
- ii. the restrictions preventing community radio stations from taking more than 50% of their annual income from on-air advertising and sponsorship remain appropriate and what, if any changes, are justifiable;
- iii. there is a case for further licence extensions for community radio stations in the event of a decision to implement a radio switchover: and
- iv. the operation of the Community Radio Fund; its objectives and operation - require improvement.

While some respondents chose to use the set questions, others chose to reply in a free format without referring to the questions. All of the responses have been considered equally regardless of the method used. Where respondents did not use the standard questions, their responses have nevertheless been considered under the summary of responses set out in part 4 of this report.

3.3 Statistical analysis of responses

3.3.1 In total around 100 responses were received for this consultation, either by email, post or letter. The summary of responses to each question contains verbatim extracts.

3.3.2 Details of the distribution:

Category of respondents	Number (from a total of 88 direct responses)	Percentage of total
Community radio station	40	45.45%
Commercial radio station	13	14.77%
Other	35	39.77%

4. Summary of responses

4.1 Response to Question 1 and Government response

Q.1 To lift the restriction preventing some community radio stations from taking any income from on-air advertising or sponsorship if they overlap with a commercial radio licence whose coverage area includes 150,000 adults or fewer.

The majority of respondents (79%) supported the lifting of the “absolute rule” restriction with a number of responses highlighting the changes to commercial radio stations as a result of changes introduced in the Digital Economy Act 2010. Commercial stations who responded as well as Radio Centre did not support any changes to the absolute rule. Radio Centre said it would like to see research carried out first on the impact of a lifting of the restriction on the local media market. Radio Centre’s view is that the decision to lift the restriction is being taken with insufficient evidence on the possible impact of future changes. The consultation sought specific examples of current impacts but, in the event, only a small number of examples were provided with facts to support these arguments.

81 responses received for this question

Yes - 64 (79% in favour)

No - 9 (11.11%)

Unable to answer - 8 (9.8%)

Answered no & unable to answer - 17 (20.98%)

Supporting comments

- Tone FM - We agree that the restriction should be removed. This will enable those community radio stations affected to secure additional revenue, which is increasingly important when grants are harder to come by.
- The Voice (N. Devon) CIC - Yes absolutely. The licencing structure for which this restriction was put place for 10 years ago is now flawed and out of date. With the consolidation of large parts of the commercial radio sector, offering generally county wide or regional services, there are now very few remaining small scale commercial stations. The flaw in the structure is a result of the Digital Economy Act 2010, which allowed far greater consolidation in the commercial sector, leading to the vast majority of the smaller heritage stations merging to become the county wide or regionals stations. However the MCA’s of the smaller original heritage stations are still used as the measure when it comes to determining station overlap percentages and population – this is totally wrong and unfair, and a blatant case of the commercial sector using whichever set of rules suits them best. How many of the consolidated groups produce RAJAR figures for the former individual MCA’s?

Non-supporting comments

- High Peak Radio Ltd - Our business base has been demonstrably damaged by a community station just outside the boundary of ‘our’ patch; one on the patch would probably target the ‘easiest’ population centre on our very diverse and widely – scattered patch, and if it were to ‘land’ there and take out the spend which is the average annual ‘take’ for a community station, it would

take us directly from a modestly profitable to a loss - making position. This would compromise 'real' employment opportunities for local people and replace them with 'volunteer' posts resulting in an amateur rather than a professional service for listeners. A community licence landing on the 'patch' of a small incumbent commercial station would be near fatal for that station; and the smaller the station, e.g. under 100,000 MCA, would almost certainly write that station's death warrant if that station was able to sell advertising and sponsorships whilst at the same time benefitting from extremely advantageous conditions through grants and funding which commercial services cannot access. Small commercial stations are already competing for an extremely small slice of a very competitive market with localness as the only real USP; destroy the USP, destroy the service. It seems to me that the only people who could seriously suggest this are people with little or no business understanding; which is why many community stations are in a mess in the first place.

- Mansfield 103.2 - As Radio Centre identifies in its consultation response, there has been no research or analysis undertaken to justify the proposed regulatory changes. As such, we do not support community station taking advertising and sponsorship where they overlap with the smallest commercial stations (<150k people), in the absence of any research or impact assessment. In addition, we would also oppose strongly any attempt to introduce a complete relaxation on community radio advertising limits.

Government Response

The Government believes that the “absolute rule” in its current form is overly restrictive on community radio stations and should be modified to allow stations subject to the “absolute rule” to raise up to £15,000 per year in commercial revenue whether through sponsorship, advertising or other commercial activities. The Government also believes the restriction should no longer apply to licences whose coverage area covers 150,000 or fewer adults where these licences have benefited from sharing premises or programmes under section 34 of the Digital Economy Act 2010.

4.2 Response to Question 2 and Government response

Q.2 If the funding restrictions on advertising were to be reduced ought the requirement on Ofcom to look at potential economic impact need also to be reviewed. We welcome your views on this.

Just under 25% of respondents favoured a review of Ofcom practices on the need to assess economic impact. However, no comments were received on what such a review would cover.

62 responses received for this question

Yes – 15 (24.19% in favour)

No - 20 (32.25%)

Unable to answer - 19 (30.64%)

Answered no & unable to answer - 39 (62.90%)

Comments

- Celador Radio - Clearly, we do not support the easing of the funding restrictions and it is entirely unclear from the consultation document in what way DCMS envisages the requirement on Ofcom to consider the potential economic impact might be varied. Indeed, no information is offered as to how this requirement has been carried out to date and with what impact. Any such consideration by Ofcom would appear logically to require it to make an assessment of the overall size of the local radio advertising spend in the relevant market; the potential for growth (or shrinkage) in that spend over the course of the planned community radio licence; an estimate of the proportion of that spend that might go to the planned community radio service and thus be denied to the existing commercial radio stations and the consequent ability of the commercial stations to remain viable in the market. It would be helpful to understand what process Ofcom does go through in carrying out this duty, and with what rigour.

Were the government still persuaded that it should remove the restriction on commercial funding for these community stations, it would seem logical to require Ofcom to conduct afresh its assessment of the economic impact of the community stations and, potentially, to re-impose commercial funding restrictions if they seem to it to be appropriate. Otherwise, the very basis on which the community radio licences were first awarded would retroactively have been allowed to change.

- Radio Centre - Ofcom needs to improve standards of compliance and distinctive public service broadcasting accordingly, both to ensure stations are meeting the appropriate standards required of radio broadcasters and in order to help the industry as a whole. For many in commercial radio specifically those in the smaller independent stations – broadcasting is not just a hobby, but their livelihood. ...we would be concerned if poor perceptions of the medium were allowed to continue to grow unchecked.
- Community Media Association - It is our view, therefore, that if the funding restrictions on advertising were to be reduced the potential economic impact on incumbent commercial stations would indeed be minimal and that there need not be any requirement for the potential economic impact to be reviewed by Ofcom.
- Guto Bebb MP – Ofcom should continue to play a key role in the assessment of the potential economic impact such changes would have on commercial radio stations. Whilst it is widely held that such a change would not have a detrimental effect on commercial radio stations Ofcom should continue to monitor the situation in order to protect commercial radio stations from any possibly negative unforeseeable consequences of these proposed changes.
- Arts Council England – It is right that Ofcom continue to consider the economic impact of issuing a licence, however this need not be labour intensive, and ought to be fairly light touch.
- Peterborough FM – a commercial station has no requirement to measure its economic impact on a community station. This should be implemented too, so that it works both ways, and not just measuring the potential impact of a community station on an existing commercial station. Any new station of any kind should be measured
- Angel Radio – With any policy change we feel that Ofcom should review the impact.
- Flame Christian - By removing the restrictions, Ofcom's requirement to look at

economic impact would be removed. At present there is no consideration of the potential economic impact of offering a licence to a community radio station close to an existing community radio station. There is also no consideration of the potential economic impact of increasing the coverage of a commercial radio station upon existing community stations. So make it simple and let every type of station fight for itself.

Government Response

As the absolute rule will be modified, but we will retain the provisions requiring Ofcom, when making licensing decisions, to have regard to the need to ensure that any new community radio service will not prejudice unduly the economic viability of local analogue commercial radio services. However, in view of the changes proposed, Ofcom may want to consider, whether there is scope for these assessments to be carried out on a lighter touch basis.

4.3 Response to Question 3

Q.3. Should there be a relaxation of the restriction preventing stations from taking more than 50% of their income from advertising and sponsorship. If your answer to this question is yes, then what should the new restriction be. How should it be determined? For example, set in regulation or set by Ofcom following consultation and reviewing periodically.

The majority of responses (63%) supported a relaxation of the current 50% restriction however there was no clear consensus to the level this should be increased to. Only 9 responses gave any indication of what an increase ought to be, and this ranged from 60%-100% (1 x 60%, 4 x 75%, 3 x 80% & 1x 100%). Two responses suggested that whatever the level of increase this ought to be determined by Ofcom following further consultation, and scope for annual reviews

Overall the main reason given for favouring a relaxation of the 50% rule is to allow for community radio to become self-sustaining without the need for reliance on grant funding.

The responses from commercial radio were against any increase on the 50% limit. Radio Centre said that that increasing the proportion of income a community station could take from commercial sources, would start to erode the requirements that community stations were against change to the licence requirement of providing a 'social gain/benefit' to the community stations operated. These views were shared by a couple of community radio stations, for example Angel Radio Isle of Wight and BCB Bradford.

76 responses received for this question

Yes – 48 (**63.15% in favour**)

No - 14 (18.42%)

Unable to answer - 14 (18.42%)

Answered no & unable to answer - 28 (36.84%)

Supporting comments

- Confidential - Yes, the new restriction would be that all community radio station should be allowed to take up to 80% of their income from advertising and sponsorship the remaining 20% would come from donations and grants. It should be determined by how well the station communicates with its audience such as any suggestions that will improve the service overall and by Ofcom following consultation and being reviews annually.
- NNBC – Northampton - This restriction should be relaxed. It has the effect of making stations highly dependent on grants, which vary substantially each year. It discourages investment in people: without employing/paying people, it is very hard for community radio stations to grow their local activities. There should not be a restriction on the percentage from advertising. The crucial factor is to ensure that the stations are genuinely non-profit making, and that all revenues are used for social gain in their communities.
- Pendle Radio - Remove 50% condition to allow the community radio to become self-reliant and sustaining.
- Lache Community Development Trust - Yes- and specifically there should be more relaxation on sponsorship revenue. "Appropriate" sponsorship should be without restriction especially when these take the form of charitable donation. Concerns on relaxing the restriction on advertising include a) it could change the nature of the programming, requiring more "professional" output and b) selling advertising requires expertise and is time consuming so could result in a situation whereby an additional staff member is needed who then has to dedicate a significant proportion of their time to generating the income to pay their own salary c) generating income from advertising should not become an expectation of or requirement for community radio station. New restriction should be set by Ofcom following consultation and reviewed regularly, possibly set in regulation in future.

Non-supporting comments

- Angel Radio Isle of Wight - We feel that 50% seems a fair figure and prevents stations becoming like American radio and television where adverts are too intrusive. This could certainly be reviewed periodically if necessary. Smaller community radio stations rely heavily on volunteer workforce and therefore their income is largely from the unpaid help they receive from them. This would always far outreach advertising revenue. Larger and more profitable stations should not run into advertising stations with very little content otherwise. Television has been 'dumbed down' to such an extent by too many ad breaks and breaks and very poor quality programmes in between to fill the gaps between the ad breaks. American TV programmes which are shown in Britain are all about advertising revenue and series often just fizzle out before reaching a conclusion because revenues and ratings have dropped off. It would be a shame to see radio going the same way.
- BCB (Bradford Community Broadcasting) - . With increasing reliance on commercial income, there is a real danger of advertisers and sponsors unduly influencing the output of a community radio station. This was evidenced at a meeting of community stations in the North of England where we were shocked to hear that a community radio station no longer 'allowed' young people to broadcast because their advertisers did not like their programmes. These young people had been removed from the airwaves of their community station and replaced by presenters and programmes more acceptable to those providing commercial income. Rather than seeking out a

funding stream for that youth participation aspect of their work they simply chose to bow to the advertisers. This influence on the output and potentially on editorial control of programmes on community radio stations is a very real threat and will increase with greater reliance on commercial income.

4.4 Response to Question 4 and Government response

Q.4 Of the two options noted which do you support and why. Include reasons why you dismiss the alternative option. We invite you to provide details on other approaches.

Option 1 - a Fixed Revenue Allowance percentage of X% to be determined by the average expenditure of community radio stations at the beginning of each three-year period. This would tailor the allowance to match the revenues of different stations. The main disadvantage is that it would be more complex to administer.

Option 2 - a single Fixed Revenue Allowance figure of £X across all community radio stations either set in the regulations or by Ofcom. This would exempt the first £X of qualifying revenue (i.e. income from the sale of on-air advertising and sponsorship) with the amount deductible before the calculation of the 50% reduction. This would be simpler to operate and would also benefit smaller stations to a greater extent. Some community radio would not be subject to any restriction on income from on-air advertising and sponsorship at all (depending on the appropriate figure for the Fixed Revenue Allowance). According to Ofcom figures, in 2012 26% (50) of stations surveyed (190 in total) had an annual income of less than £30,000.

In all, 59 responses were received for this question – of those who commented in detail, there was a consensus in favour of a fixed allowance rather than an allowance set by Ofcom.

Option 1 - 5 (8.47% as a total of 59) - *Note comment above*

Option 2 - 10 (16.9% as a total of 59) - *Note comment above*

Option 1 - Supporting comments

- Tone FM – We favour a fixed revenue allowance percentage (we propose 75%) rather than a fixed amount. Our reasoning is that, as a station grows, a fixed percentage is easier to work with than a set amount which may become difficult once the revenue of a station grows beyond that level. A % is more sustainable in the long term.
- Warminster Community Radio – The fairest option to community radio stations is to set a percentage figure across the board that will apply to all licensed stations. This figure would be set by Ofcom and reviewed periodically, in consultation with community stations. ..Concern with Ofcom having additional administrative duties placed on them

Option 1 – Opposing comments

- Warminster Community Radio – A fixed sum would not be fair to all radio stations. As a small station ourselves this would probably be of benefit to

Warminster Community Radio, yet I feel a wider view needs to be taken. It is not unreasonable to ask the local community to fund a percentage of our finances themselves, through either local authority funding or our own fundraising. At the moment however, we are far too reliant on these sources of income and therefore require a percentage of our income to come from small local businesses.

- Ofcom Advisory Committee for Wales – Option 1 is more complicated, and in our opinion, less transparent.

Option 2 - Supporting comments

- The Voice (North Devon) CIC – This question would be irrelevant if the outcome of question 3 were to totally abolish any restriction. If a % restriction were to remain a fixed revenue allowance would be crucial for the survival of the sector. Of the two options noted, Option 2 would be preferable, as it would minimise administration for both stations and regulator.
- Moss Media Consultancy - ..This approach would be least restrictive/most encouraging for small station revenue generation. The system would be easily understood and simple to operate for station and regulator. Flexibility to make changes can be built in (and should in our view be in the hands of the regulator, with at least one review, midway through any five year licence terms). Qualifying revenue level need not be arbitrary – could be set by reference to statistical information gleaned directly from the community radio sector.
- Brian Lister – Option two seems the most appropriate model. It is not realistic or sensible to attempt to predict the average expenditure of a community radio station at the start of a 3-year period, particularly for a new service. Also so many items of “expenditure” can be optionally categorised as “help in kind” or the result of “contra deals” as to make such calculation meaningless.
- Ofcom Advisory Committee for Wales – ACW believes that option 2 would be the best way forward – a single fixed revenue allowance figure of £x across all community radio stations set by Ofcom and regularly reviewed. It would be simpler to operate and would also benefit smaller stations to a greater extent. We welcome the fact that those with the least income would not be subject to any restriction.

Option 2 – Opposing comments

- The Voice (North Devon) CIC - ...it could be argued that option 1 based on individual stations circumstances would be fairer, but would create more onerous administration.
- Moss Media Consultancy - A three-year review period seems arbitrary and would not necessarily take account of when an individual station began broadcasting. Gaining access to accurate average community station expenditure figures when required could be problematic. Questions arise over what might be deemed as relevant “community station expenditure”. This could be difficult to accurately define. By definition averages include highs and lows, and individual station expenditure may be significantly different in one year compared to another. Here one size fits all may not adequately reflect individual circumstances.

Government Response

In reviewing the comments received, there was a clear consensus from community stations for introducing a fixed allowance before applying the 50% rule, as this would be the simplest to operate and give clarity to stations and to Ofcom in terms of enforcing the new requirements. Having considered the representations made by commercial stations, the Government believes the fixed allowance should be set at £15,000 per year.

4.5 Response to Question 5 and Government response

Question 5 – What way/s could a Fixed Revenue Allowance be fairly determined if this was to be set by Ofcom. Should this be set by Ofcom? What facts would Ofcom need to take into account in setting an appropriate level of allowance?

Response to this question lent support to Ofcom setting the Fixed Revenue Allowance £/%, doing so using its historic data of mean average expenditure figures, and after allowing for further discussions with the industry. Ofcom should be left to set the limit with an added condition that Ofcom review the figure annually.

Approaches to setting the Fixed Revenue Allowance

- Seahaven – The average costs of running a community station are known, using this figure would be a good starting point.
- Will Truman – If a fixed revenue allowance was to be set by Ofcom, they would need to consider the stations yearly running cost, along with any rise in inflation and things like electricity, water and gas and relevant licences (PRS/PPL and any monthly/annual software fees).
- Radio Saltire -: The only way a fixed revenue allowance would work as if it wasn't fixed as such but awarded based on the merits and needs of each individual station following consultation – then possibly set by Ofcom. They would have to take into account: possible audience statistics; what sort of audience it is likely to attract – based upon local demographics? Levels of commercial and retail activity (and therefore potential commercial income from advertising etc.) in the proposed broadcast area. What sort of – and how many other stations can be received in the specified area too.
- Radio Elwy Point FM Ltd – A fixed revenue allowance should be *set by Ofcom* from say a 1% levy on commercial advertising rate income (there is no provision in the licence fee to fund community stations and the BBC local service provision would absorb such funding anyway) to ensure that all regulatory compliances were met and to ensure all financial management matters were addressed, and report returned. The station could appoint, with funding for up to two persons awarded in arrears periodically following each three or six months of broadcasting. This would remove from Ofcom the need to do anything other than monitor the station, with an industry standard set of documents for comparison financially, and a bespoke set of kit.
- Tempo Radio - We consider that a fixed revenue allowance could be set at a standard level for all Community Stations. However, we recognise that there will be situations in certain areas for the larger station, where this could still remain an unfair restriction. *We would like to see Ofcom* have the authority to set this allowance and change it both in line with inflation or by application from stations with particular special circumstances.

- Lache Community Development Trust - *Ofcom* could propose a formula for individual stations to use to calculate and submit to *Ofcom* a proposed allowance rate. In any event the Fixed Revenue Allowance should be set low enough to discourage commercialisation of community radio but should cover should at least cover licensing, copyright costs and contribution to staff/premises, insurance.
- Tim Cook – Sounds Sorted Productions - Given that restrictions ought to be lifted, a period of time might be needed to consider an appropriate fixed revenue allowance. Perhaps ‘top-ups’ to these allowances could be applied for depending on the initial success of attracting advertising and sponsorship revenue following the lifting of restrictions.

Government Response

Having considered the representations made by commercial stations, the Government believes the fixed allowance should be set at a relatively low figure of £15,000. This equates to around 25% of the mean average income reported by community radio stations in 2013. This approach favours smaller community stations. We will ensure that *Ofcom* is able to review the level of disregard, following a request by DCMS.

4.6 Response to Question 6 and Government response

Q.6 – Would you support a further 5 year extension of a licence beyond the second 5-year period. If you do not agree, please provide reasons why this should not happen.

There is largely support by 88% for an extension of licences for a further 5 years. That said, whilst the reasons offered included time for community radio to establish itself in the community, to establish itself financially and to build up banks of volunteers there was still an overriding expectation that *Ofcom* carry out careful scrutiny to prevent ineffective stations simply keeping a valuable licence when they are not fulfilling a meaningful role in their community. A number of commercial stations were concerned that extending the licence periods would create a sense of permanence for licensees and encourage them to compete more directly with commercial stations.

63 responses received for this question

Yes - 56 (88.80% in favour)

No - 4 (6.34%)

Unable to answer – 3 (4.76%)

Answered no & unable to answer - 7 (11.11%)

Supporting comments

- Exeter Community Radio - In some ways this period is too short given the large set up costs incurred by stations going to air. We are currently upgrading equipment, which has been used since the award of the licence in 2008. Items like replacement on air-desk are a significant investment for a station that could cease to exist in three years’ time.

- Tone FM - John Shipley - We would support a further 5 year extension providing the station had met its commitments and demonstrated success in the local community
- Black Diamond FM - Provided the station is meeting its key commitments I think licences should be renewed every five years or even seven years. The investment in equipment by the lottery and other trusts would be easier if they knew that stations would be in place on a long term basis. Some trusts require long leases of premises before making grants.
- Tim Cook - Sounds sorted productions - Yes. Local community stations need continuity as much, if not more, than commercial stations. It takes time to become established and build links and relationships with communities. This is also paramount to the continuation of social gain.
- Radio North Angus - Yes, provided that they abide by the conditions of their licences. However, when considering licence extension, the viability of individual community radio stations being able to afford to transfer on the introduction of sub-regional digital radio should be taken into account.

Non-supporting comments

- East London Radio - Community radio stations are returning licences in favour of internet radio. This is the way forward, with current annual licences. I am sad that the Radio industry stubbornly has its head firmly stuck in the sand, much like Kodak re digital photography. We're happy to discuss this with anyone. Or maybe wait 5 yrs to see what the UK radio landscape is like then.
- Celador Radio - We do not agree. One of the purposes of creating community radio was to give people who would not otherwise have an opportunity to be involved in radio a chance to do so. Moving to, effectively, a system of rolling licence renewal would simply entrench one set of operators to the exclusion of any others. All sense of continuous creativity and diversity would disappear. The primary incentive to produce a service of distinction and high quality would be removed. It should be noted that commercial stations do not receive automatic extensions of their licences except as a quid pro quo for securing local DAB carriage. This is in recognition of the fact that what amounts to a perpetual monopoly (to provide a particular radio format to a particular locality) would be anti-competitive and Ofcom needs to assure itself, from time to time, that the current licensee is operating in a way that is not harmful to the interests of local listeners and advertisers. The same rationale should logically be applied to community radio, particularly if it is permitted to commercialise. It seems obvious to us that the community licences should be re-opened to competitive bidding, with the incumbent licensee able to apply to retain its licence.
- High Peak Radio Ltd - It can't be argued that FM spectrum is a scarce resource if there is then an infinite number of extension possibilities for community operators.
- The Radio People - We do not support an automatic 'second' 5-year extension. Due to the scarcity of the spectrum and that there are only a limited number of stations, which can be licensed; we believe that the current criteria prevents new and alternative stations from launching. It is important to keep the sector 'fresh'. We believe that after 10 years (or one renewal) licences should be advertised and applications invited for alternative services.

Neither Option – Comments

- Trevor Lockwood - Possibly. It's at that stage that proof of local support and need should be examined. These stations provide community services - the community should decide.
- NBBC – Northampton - We believe in rolling renewals, with a simplified renewal process every 5 years. But, there must be an opportunity for the public to challenge a station at renewal time if they are dissatisfied with its performance. Automatic renewals will just breed complacency.
- Michael Betton - Lincs FM Group - Rather than simply an extension of the existing licence at the end of the second year a fast track system should be considered similar to the commercial radio system where in the absence of new applicants the licence is re-awarded to the incumbent after appropriate checks and balances.

Government Response

The Government believes that the arguments for a further five-year licence term for community radio is compelling and that Ofcom to be afforded power to extend licence for a third term, for a period up to 5 years. The requisite for an extension Ofcom satisfied the community radio station continues to meet current licencing conditions and the format and programming commitments made in its licence application.

5. Conclusions

The changes proposed in this report, and supported on the whole by the respondents of the community radio consultation, will give more leeway to the community radio sector to develop and sustain services for listeners, volunteers and local communities whilst maintain appropriate protections for small independent commercial radio stations.

6. Next Steps

The Government plans to lay regulations amending the Community Radio Order by the end of January 2015.

LIST OF RESPONDENTS / ORGANISATIONS

Respondents Name (where given)	Organisations Name (where given)	Type of Organisation - Google search
1. Trevor Lockwood	1. N/A	Writer, publisher, broadcaster
2. Dave Fewster	2. Beverley FM	Community radio
3. Phil Thickpenny	3. RadioTrent.co.uk	Presenter – Commercial radio
4. Glyn Roylance	4. Associated Broadcast Consultants (A-bc.co.uk)	Broadcast Engineer
5. Gary Jackson	5. Gary Jackson Radio	Presenter – independent
6. Nick Mallinson	6. Sea Haven FM	Community radio
7. Andrew Green	7. Bay FM Radio	Community radio
8. Ian Chambers	8. East London Radio	Community radio
9. Danny Lawrence	9. Gateway 976	Community radio
10. Sagheer [no surname provided]	10. Pendle Radio	Community radio
11. No name given	11. No company name given	
12. Dr David Treharne	12. Phonic.FM	Community radio
13. Nick Wright	13. Canalside Community Radio / Canalsides The Thread 102.8fm	Community radio
14. Steve Saville	14. Forest FM	Community radio
15. Steve Perkins	15. Local Digital News	Digital Media Company
16. Rob Nicholson	16. The Bridge	Community information/web
17. Andrew Morris	17. Radio Saltire	On-line radio station
18. Harold Martin	18. Point FM 103.1 (Radio Elwy Point FM Ltd)	Community radio
19. Matt Garrod	19. Peninsula Computing	Computer and network
20. Paul Stellings	20. Vixen Broadcasting	Community radio
21. Beverly Webster	21. Angel Radio Isle of Wight	Community radio

22. Mohammed Shafiq	22. No company name given	
23. Nick Gillett	23. No company name given	
24. Phil Dawson	24. Fantasy Radio	Community radio
25. Alan Everard	25. Wetherby Community Radio Ltd	Community radio
26. John Shipley	26. Tone FM	Commercial radio
27. Liz Holding	27. Lache Community Development Trust	Commercial radio
28. Jane Riddle	28. Lincs FM	Community radio
29. James Finlayson	29. Takeover Radio 106.9	Community radio
30. Gordon Clayton	30. Black Diamond FM	Community radio
31. Graham Coley	31. Takeover Radio Children's Trust	Commercial radio
32. Paul Crockett	32. The Voice, North Devon	Community radio
33. Kevin Potter	33. Hope FM 90.1	Commercial radio
34. David Moss	34. Moss Media Consultancy	
35. Cathy Edwards	35. The Voice FM, North Devon	Commercial radio
36. Mark Jeeves	36. Connect FM (Peterborough)	Commercial radio
37. Mark Jeeves	37. Connect FM (Kettering & Corby)	Commercial radio
38. Steve Jenner	38. High Peak Radio Ltd.	
39. Brian Lister	39. www.soundconcepts.ltd.uk	Radio consultant
40. Lauren Pennycook)	40. Carnegie UK Trust	
41. Alex Williams	41. Ofcom Wales	
42. Tony Delahunty	42. Mansfield 103.2	Commercial radio
43. Martin Lovell	43. Martin King Entertainments	
44. Norman Polden	44. Flame CCR	Community radio
45. John Grierson	45. Falmouth University Graduate School	
46. Colin Slade	46. North Devon Conservative	

	Association	
47. Mark Barnes	47. No company name given	
48. Tim Cooke	48. Sounds Sorted Productions	
49. Murray Dawson	49. Station House Media Unit	Community radio
50. Philippa Sawyer	50. Wycombe Community Radio CIC	Community radio
51. Geoff Pryke	51. Susy Radio, Local Community Radio for Redhill and Reigate	Community radio
52. Mervyn Gamage	52. Moorlands Radio	Community radio
53. Malcolm J B Finlayson	53. Radio North Angus Ltd	Community radio
54. Jason Bryant	54. Town and Country Broadcasting	
55. Paul Smith	55. Celador Entertainment	Global light entertainment Co.
56. Bill Johnston	56. The Bay & Lakeland Radio	Commercial radio
57. Adam Scott	57. Office of Ben Bradshaw MP	
58. David Duffy	58. The Radio People	Community radio
59. Amy Bingham	59. North Devon Council	
60. Andrew Robinson	60. Warminster Community Radio	Community radio
61. Ben Brown	61. Arts Council England	
62. Mary Dowson	62. BCB Radio	Community radio
63. Paul A Hopper	63. The Voice, N Devon	Community radio
64. Chris Gregg	64. MKFM Ltd, Milton Keynes	Community radio
65. Alex J Geairns	65. Peterborough FM	Community radio
66. Siwan Puw	66. Parliamentary Assistant/ Cynorthwydd Seneddol - Guto Bebb MP/AS	
67. Christine	67. 103 The Eye – Community	Community radio

Slomkowska	Radio for the Vale of Belvoir and Melton Mowbray	
68. Caroline Bramwell	68. The Olden Group	Public relation, marketing Co.
69. Usha Parmar	69. Sunrise Radio Yorkshire	Commercial radio
70. Euros Lewis	70. Radio Beca Co-operative (Steering Group)	Community radio
71. Paul Nero	71. Radio Exe	Commercial radio
72. Richard Berry	72. Spark FM	Community radio
73. Chris Adams	73. Parliamentary Caseworker to Mark Williams MP	
74. Phil Korbel FRSA	74. Radio Regen	Community radio
75. David McGealy	75. Oldham Community Radio 99.7fm	Community radio
76. Jabbar Karim	76. Fever FM @ Resource Centre	Community radio
77. Steve Johnson	77. Wales Community Radio Network (WCRN)	Community radio
78. No name given (Media Ireland)	78. Media Ireland (The Community Media Charity)	
79. Jaqui Devereux	79. Community Media Association	
80. Nick Hazell	80. Radio Verulam	Community radio
81. Ben Walker	81. Radiocentre	
82. No name given	82. Blast106 Community radio Station	Community radio
83. Bill Best	83. Community Media Association	
84. Sangeeta (no last name given)	84. Radio XL	Community radio
85. No name given (IUR FM)	85. IUR-fm	Commercial radio

86. Peter Heaton-Jones	86. Conservative Parliamentary Candidate, North Devon	
87. Jimmy Buckland	87. UTV Media (GB)	
88. Paul Andrews	88. Assistant Private Secretary to John Griffiths AM / Ysgrifenydd Preifat Cynorthwyol i John Griffiths AC - Minister for Culture and Sport / Y Gweinidog Diwylliant a Chwaraeon	



Department
for Culture
Media & Sport

