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November 24th 2005

Ruth John
Radio Executive, Content & Standards
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA

Dear Ruth

Further to your recent conversations with Classic Gold Digital's Managing Director John Baish, I now write to request the following changes to the Formats for thirteen of our eighteen licences.

I enclose a paper outlining the rationale behind this request.

| Group | Station and licence area | Requested change to definition of "locally produced/presented" |
|--------------|---|--|
| 1 | Classic Gold 1260 (Bristol & Bath) | To make permanent the current trial arrangements, by which "locally produced/presented" is defined as within either licence area |
| | Classic Gold 936/1161 (Swindon & West Wiltshire) | |
| 2 | Classic Gold Amber (Suffolk) | To be defined as within either licence area |
| | Classic Gold Amber (Norwich) | |
| 3 | Classic Gold Gem (Nottingham & Derby) | To be defined as within any of these licence areas |
| | Classic Gold 1359 (Coventry) | |
| | Classic Gold WABC (Wolverhampton) | |

| | | |
|---|--|---|
| 4 | Classic Gold 1332 (Peterborough) | To be defined as within either of these licence areas, or within the northern part of the Classic Gold 828/792 licence area (i.e. in Bedford, Milton Keynes or Cambridge) |
| | Classic Gold 1557 (Northamptonshire) | |
| 5 | Classic Gold Breeze (Southend & Chelmsford) | To be defined as within either licence area, or that of Classic Gold 1521 (Reigate/Crawley), or within the southern part of the Classic Gold 828/792 licence area (i.e. Luton or Dunstable), or within Greater London |
| | Classic Gold 1431/1485 (Reading, Basingstoke & Andover) | |
| 6 | Classic Gold 828/792 (Luton/Bedford) | For the northern part of the area (Bedford), to be defined as within the areas proposed for group 4 above. |
| | | For the southern part of the area (Luton), to be defined as within the areas proposed for group 5 above. |
| 7 | Classic Gold 1521 (Reigate/Crawley) | This station currently has a dispensation allowing programmes shared with our London DAB station to count towards local content. We now seek to broaden the definition to cover the areas in group 5 above. |
| <p>In addition, we request a change to all our Formats, enabling us to schedule our four-hour local show at any time during “weekday daytime” (0600-1900) rather than only at “peaktime” (breakfast and drivetime).</p> | | |

Accompanying this letter, along with our background paper, is a full copy of our research findings. We are happy for Ofcom to make public both this letter and the background paper, but we would ask that you keep the full research document confidential, as it includes other unrelated information which is commercially sensitive.

I look forward to hearing from you in due course.

Yours sincerely,



Tim Blackmore
Director, UBC Media Group plc
Chairman, Classic Gold Digital Limited

Classic Gold - Format request change

Supporting paper, November 24th 2005

1 Our proposal

1.1 UBC is requesting a series of changes, removing the requirement to broadcast separate four-hour local shows in some of our licenced areas, and proposing instead that we be allowed to create five regions from these thirteen areas. Each of the five regions would have its own local show.

1.2 The new regions we envisage are:

- a) **West:** Bristol and Swindon. Ofcom has allowed us to operate a trial of our plans in this region since September.
- b) **Midlands:** Wolverhampton, Coventry & Nottingham, plus Leicester DAB
- c) **Mid-East:** Northampton, Peterborough & Bedford, plus Cambridge DAB
- d) **Anglia:** Ipswich and Norwich
- e) **London & Home Counties:** Reading, Essex, Luton & Crawley, plus London DAB

We propose no change in our other licenced areas.

1.3 We are also requesting, in all our licenced areas, greater flexibility in the scheduling of our daily four-hour local shows. We are currently obliged to broadcast these programmes either at breakfast or drivetime. (We have traditionally chosen drivetime, with the local shows on air between 3pm and 7pm.) We are seeking the additional freedom to broadcast these programmes during the middle of the day if we consider it makes better sense locally.

1.4 The changes we propose only relate to the definitions used for the weekday “locally produced/presented” four-hour show. We do not propose any changes to other elements of our local content, which will remain individualised for each of our 18 licenced areas – namely:

- i) Local news
- ii) Local sport
- iii) Local travel
- iv) Local weather
- v) Local community information
- vi) Local promotional announcements and commercials

2 Background

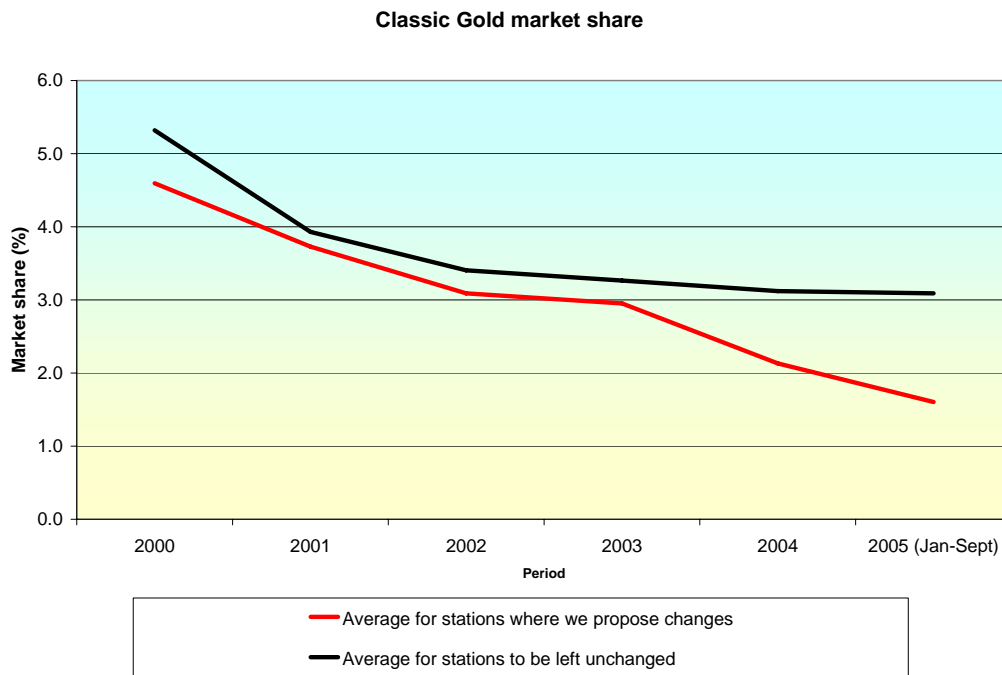
- 2.1 UBC's Classic Gold licences on AM were acquired in September 2000 from GWR, and they are amongst the oldest licences in commercial radio. Until 1988, all new ILR licences were awarded for simultaneous transmission of the same programming on both FM and AM ("simulcasting"). Between 1988 and 1990, commercial radio companies were encouraged to make better use of their frequencies by ending simulcasting and creating new stations on AM, giving rise to the widespread introduction of the Gold format in the UK.
- 2.2 In the years since then, a number of factors have led to a decline in the general popularity of AM music services:
- a) Tolerance of listeners for the poorer audio quality of AM has reduced. This change was evident during the 1990s, and has continued with the advent of DAB radio and other digital forms of listening. Ofcom has reaffirmed this in the recent framework document "Radio – Preparing for the Future, Phase 2", which confirms that it "has long recognised that AM stations are at a disadvantage in retaining listeners because of the relatively poor quality of the medium".
 - b) Radio markets have become more developed, with the licensing of additional local, regional and national analogue commercial services, and now with an even greater range on DAB. Whilst UBC is a great supporter of digital radio, and of increased choice and diversity for the listener, there is no doubt that audiences are fragmenting, and this presents us with commercial challenges.
 - c) During the late 1990s, many commercial radio companies were guilty of under-investment in AM. Since taking over the Classic Gold licences, UBC has made a significant investment in programming and marketing, but for some listeners the damage was already done.
 - d) Since 1997 Radio 2 has become one of the dominant forces in radio. With a more commercial music policy, the BBC has succeeded in delivering a larger audience for Radio 2, and this has inevitably had an impact on Gold stations. The heritage FM commercial stations are fighting back, and as a result are competing more directly with Gold stations. During 2004, we saw mainstream FM commercial stations start to focus on an older audience, leaving teenage appeal to the increasingly populist Radio 1, and creating a greater overlap with the younger end of the Gold target market.
 - e) The BBC has further adjusted its position in the market by launching new national services such as Radio Five Live and its national digital channels, and by retargeting its local stations outside London to focus on listeners in their fifties rather than people over the age of 60. The market share for Gold stations has therefore been eroded from the older end as well as the younger.
- 2.3 All these factors have combined to reduce significantly the market share of some of Classic Gold's stations, particularly those in the more competitive markets, and without greater investment in marketing we see these trends continuing - threatening eventually to take us to a point where, burdened by heavy regulatory constraints and with no funds available for regeneration, the licences would no longer be commercially viable.

2.4 We therefore seek these changes to enable a greater investment in marketing and programming, reversing the decline in market share in those parts of the country where we are relatively weak, and maximising our chances in competing for audience with the BBC.

3 The areas we have chosen

3.1 We are not requesting changes in five of our 18 licenced areas (Plymouth, Exeter, Gloucester, Wrexham and Bournemouth), where our market share is, in general, more robust, and where in most cases there is no adjacent Classic Gold station which would create a coherent region.

3.2 The following table shows clearly the general decline in market share we have experienced in the last five years, and the continuation of this decline in those areas where we are requesting changes.



(Source – RAJAR/RSL)

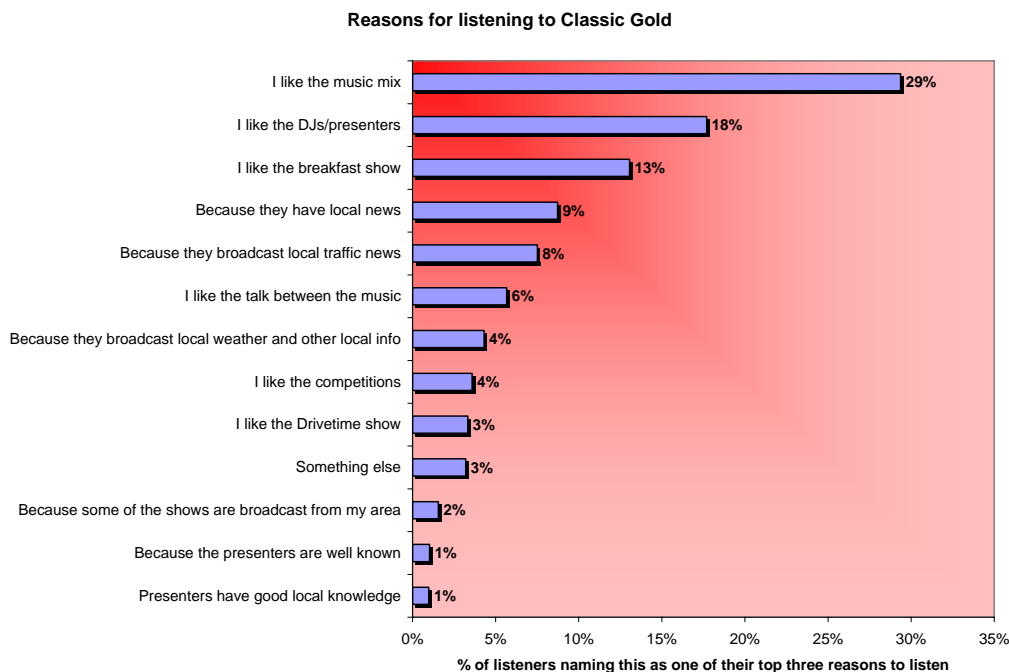
3.3 In creating the new regions, we have been careful to choose areas which make sense geographically and culturally. We believe that presenters “on the ground” need to feel connected to the local area, and our experience tells us that local knowledge and a sense of community is crucial in establishing listener identification with the station. The proposed new groupings are coherent and logical.

4. What will it mean for listeners?

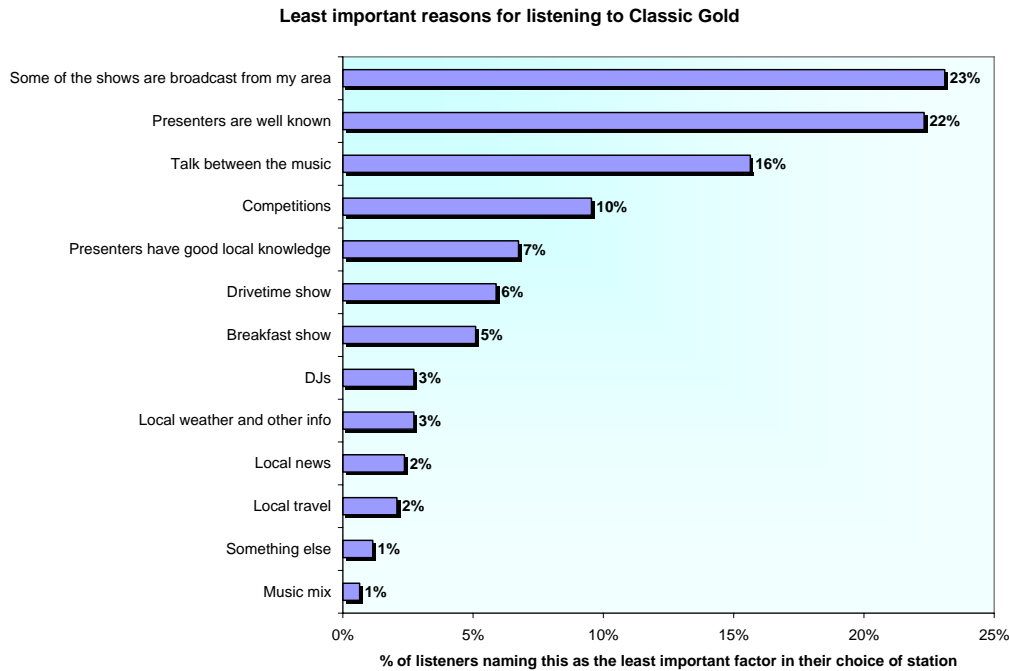
- 4.1 In considering the impact of these changes, we have based our conclusions on national research by Ofcom, research we have commissioned amongst our own listeners, and direct experience from our current practices.
- 4.2 Classic Gold currently operates its all-day provision of local weather reports, local news and sport, local commercials, local “what’s on” information and local traffic and travel news, injected for most of the day into a networked feed of shows broadcast by highly experienced, intelligent and often nationally-known presenters. In this way we are successfully delivering the qualities identified by listeners as those they require most from their radio.
- 4.3 The survey published by Ofcom in “Radio - Preparing for the Future, Phase 2” (Appendix A) confirms that listeners’ highest priorities are: local weather reports (47%), local news (49%), traffic and travel (46%), news of community events (37%), and witty and entertaining presenters (51%). Sadly, one of their more general observations was that overall “local radio lacked relevance and acceptable levels of professionalism”. Indeed, this has been one of the factors that has held back the development of commercial radio in the face of the more substantial funding available to the BBC’s national stations.
- 4.4 Classic Gold’s way of working has succeeded in delivering these priorities precisely because we have melded the demand for local information with a much higher standard of presentation than has generally been available to most commercial broadcasters. The networking of essentially local stations has enabled the recruitment of a higher standard of presenters than would otherwise have been the case. Individual personal tastes may vary, but overall it is undeniable that broadcasters such as Tony Blackburn, Paul Burnett, Graham Rogers, Trevor Dann or Michael van Straten are able to entertain listeners with a level of knowledge, wit, confidence and experience which enhances the listening experience. It is equally undeniable that their talents would be unaffordable were it not for the collaborative nature of Classic Gold’s network of local stations.
- 4.5 The ongoing experiment, by which our stations in Swindon and Bristol share the same drivetime programme and presenter, has been instructive. In the ten weeks of this trial, we have not received a single complaint about the increased range covered by the local presenter. This is perhaps unsurprising since listeners in both areas have continued to hear their own localised ads, traffic news, weather and local news – the programme elements identified as the most important for most listeners – along with presenter conversation which remains relevant to the region.
- 4.6 The trial has also demonstrated the benefit of an increased level of support from the Network Centre, with our Heads of Programmes, Marketing and Production, together with the Managing Director, able to extend the time given to this combined service.

5 Researching these issues with our own listeners

- 5.1 To test the likely impact of our ideas, we commissioned Hallett Arendt to conduct a survey of audience opinion. Invitations to participate were sent to those listeners in our database who live in the areas where we plan changes. 1,443 of them took part in our online questionnaire between November 15th and November 22nd 2005. Full research tables are provided in the appendix.
- 5.2 The results made it clear that, whilst local information (news, travel news, weather etc) is important to the Classic Gold audience, the physical location of the studios is insignificant.
- 5.3 This is hardly surprising, as the survey shows that listeners don't know where the programmes currently originate. The breakfast show with Tony Blackburn is in fact broadcast from our network centre in Dunstable, which is 40 miles north of London in Bedfordshire. Of those listeners surveyed who do not live in that general area, 26% said they didn't know where the breakfast show studios are located. 17% thought that the programme came from within their local area, whilst 40% incorrectly assumed the show comes from London. 83% of listeners therefore either have no idea, or are mistaken, about where the breakfast show comes from.
- 5.4 When it comes to the local Drivetime show, fewer than half of all respondents (45%) identified this programme as being broadcast from their local area. Almost as many (42%) told us they didn't know.
- 5.5 We went on to ask listeners for the top three reasons they tune to Classic Gold, and only 2% of listeners said that the broadcasting of some shows from their local area was a factor in their listening. The most common answers were related to the music, the presenters, the breakfast show, the local news and the local travel information. The full list is shown below.

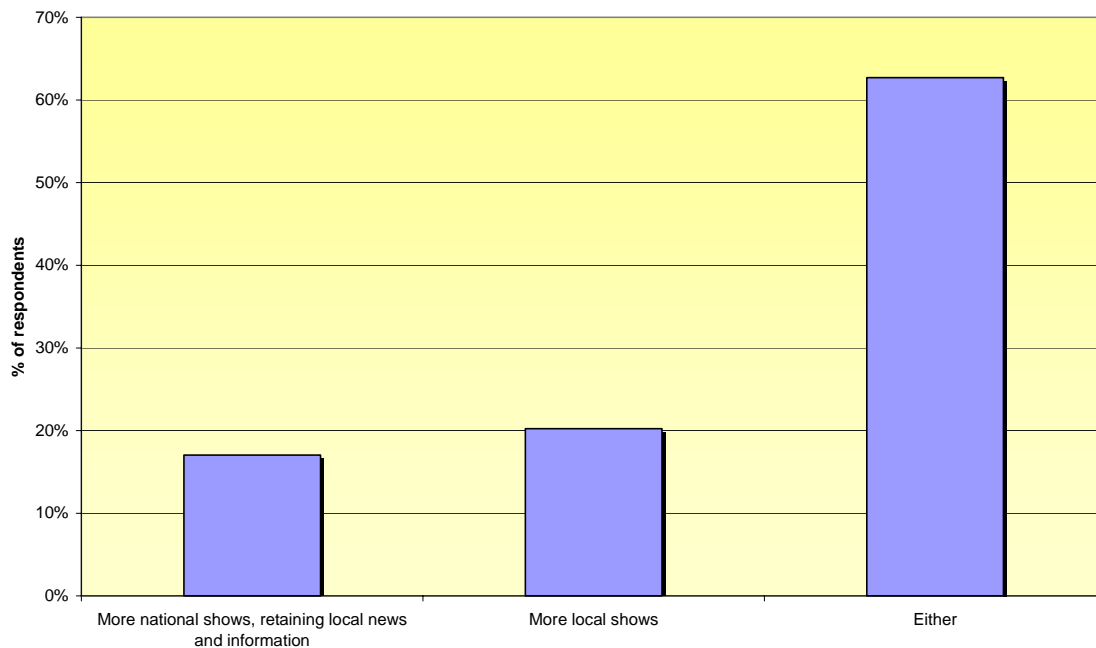


- 5.6 We also looked for regional variations within these results, in case listeners in some of the areas under consideration care more about the location of the studios than others. We found no such variations.
- 5.7 When we asked Classic Gold listeners to name the **least** important factor in determining their listening choice, the fact that some shows are broadcast from within the local area was the most popular answer.



- 5.8 We then asked listeners to give us their views on a number of possible changes we could consider making to Classic Gold. The areas covered included the choice of music by decade and by genre, the amount of local news, and the type of presenters. Whilst the questions about music elicited firm views, 82% of respondents said that an increase in the number of shows broadcast from studios within the area would make no difference to their amount of time spent listening. Again, there were no significant variations between the different regions where we are proposing making changes.
- 5.9 We also asked listeners a more specific question about the method of production for our programming. We said, “At the moment, Classic Gold broadcasts some shows from national studios with nationally known presenters, and some from studios in your local area with local presenters,” and then asked them whether they would prefer more local shows, more national shows which retained local information, or whether they would be happy with either option. The results (overleaf) show a clear majority (63%) for indifference.

If Classic Gold were to change how it puts its programme service together, which of these three options would you prefer?



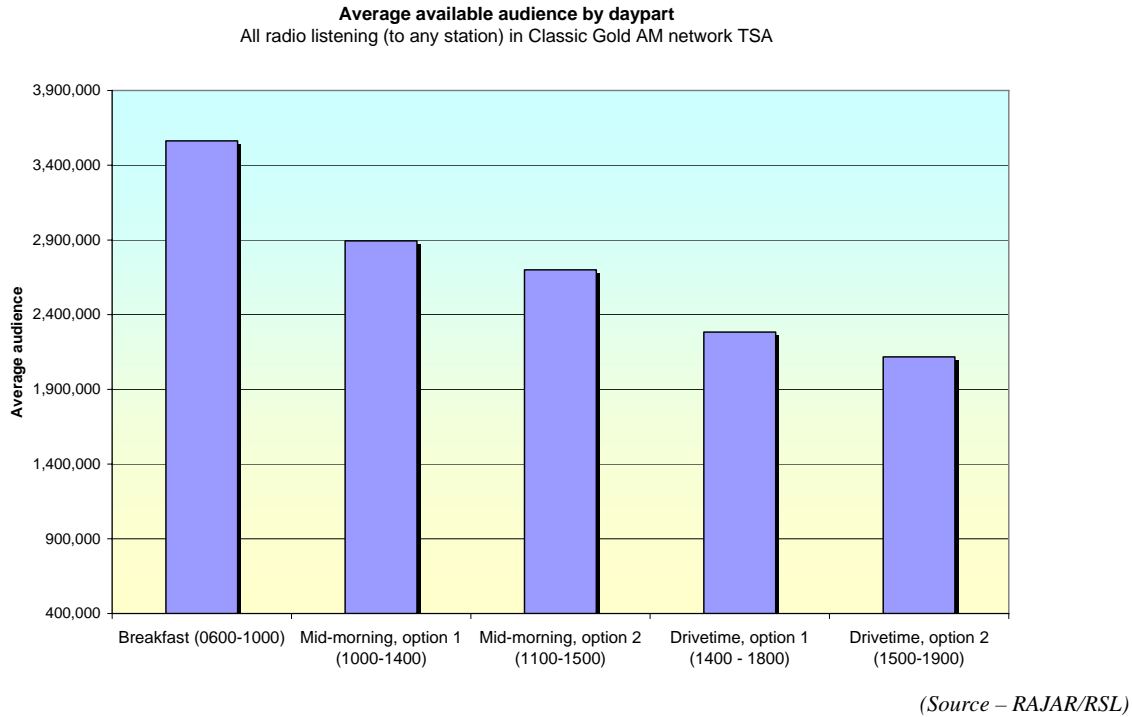
- 5.10 On the basis of these results, it seems clear that there is little demand for local broadcasting amongst our listeners. Good music and quality presentation are what counts, along with local news, travel news and weather updates – all of which are a core part of Classic Gold’s output.
- 5.11 However, for the reasons we have made clear above, we think it is important to retain a presence in each region. Our proposals therefore stop short of altogether ending the four-hour programme from within the region. Instead, by joining together the local areas which most need an audience boost, and which have shared communities, whilst retaining strictly local news and information, we will strike the right balance.

6 The scheduling of the local show

- 6.1 Our proposal includes a request to offer a greater range of scheduling choices in the time at which the local shows may be broadcast. Although we have no current plans to move them from the 15:00-19:00 slot, we feel that there could be some benefits in presenting local shows during the middle of the day. At present we are restricted to broadcasting these programmes either at breakfast or drivetime – both of which are highly congested dayparts, with the constant need for travel news, headlines and other information sequences. Time for valuable local speech is strictly limited. Local guests are also less available early and late in the day.

6.2 In allowing this freedom, Ofcom would be creating the option for the local show to reach a wider audience. The available radio audience (measured in RAJAR by average half-hour listening to all stations in our AM network TSA) falls as the day goes on. For example, scheduling the local show between 10am and 2pm would provide a potential average audience over a third higher than in the current 3pm to 7pm slot.

The following chart shows available audiences for a range of scheduling options:



7 Measuring our request against Ofcom’s stated criteria

7.1 In considering these proposals, we have examined the grounds on which Ofcom may consent to our plans, as specified within the 1990 Act. UBC has already responded to Ofcom’s recent consultation, expressing support for the method by which it is proposed to regulate format changes in the future. We have used these proposals, as laid out in Section 7 of “Radio – Preparing for the Future, Phase 2”, to measure the viability of our request.

7.2 Section 7.19 of the consultation document makes clear that, to discharge its statutory duties, Ofcom needs to ensure that one of four criteria is met in order to agree to a Format change. We believe that, in this case, all four criteria (rather than just one as required by the Act) are met. Our assessment is as follows:

7.3 *“a) that the departure would not substantially alter the character of service”*

Classic Gold asks for no change to the character of service, which would continue to offer the same music with the same local elements – news, traffic and travel, weather and what’s-on features, but with a presenter based in the region rather than within the licence area.

7.4 *“b) that the departure would not narrow the range of programmes available... to people living in the area”*

Classic Gold intends to maintain exactly the same range of programmes as presently delivered

7.5 *“c) that the departure would be conducive to the maintenance or promotion of fair and effective competition in that area”*

Classic Gold’s approach to this proposed change contains nothing that would in any way negatively affect the current level of fair and effective competition

7.6 *“d) that there is evidence that amongst persons living in the area or locality, there is a significant demand for, or significant support for, the change”*

In the ten weeks of the experiment in Bristol and Swindon, Classic Gold has received no complaints whatsoever about the amalgamation of the service during drivetime. We therefore have no reason to believe that an equally well executed plan would not be equally well received elsewhere. The research amongst our own listeners outlined above reinforces this view.

7.7 In addition to these criteria, Section 314 of the Communications Act 2003 requires Ofcom to secure that, in the case of stations with programmes including local material, *“ a suitable proportion of them consist of locally made programmes”*. The Act goes on to state that *“locally made means wholly or partly at premises in the area or locality for which that service is provided”*. It remains our belief that even when drivetime programmes are shared between two or more localities within the same region, they remain partly made at premises within the area or locality. That is to say, the local news, the local what’s on and the local travel information are all gathered and delivered from premises in the relevant area or locality.

7.8 We have gone on to consider the further criteria by which Ofcom will judge the request, having been satisfied that there are no statutory obstacles. (Section 7.24 of “Radio – Preparing for the Future, Phase 2”)

7.9 *The extent of the impact of the change on the character of service*

As above, there will be no change in the character of service.

- 7.10 *The time elapsed since the licence was awarded... Long established stations' requests to modify their format are likely in general to be considered positively in the light of changing listener demands.*

These are some of the longest-established commercial stations in Britain. Our understanding about the changing nature of AM listening comes from a very long-term view of listening patterns.

- 7.11 *Considerations taken into account in making the original award*

These licences were awarded by the Radio Authority, who under Section 105 of the 1990 Broadcasting Act judged the applications with regard to their financial viability, the size of the likely audience, the extent to which listener choice would be broadened, and the volume of local support for the applicants. The location of the broadcast studios was not one of these statutory key criteria.

- 7.12 *The views of listeners and stakeholders.*

Ofcom will decide how best to consult on our proposals, but we hope we have shown that the views of our listeners have been at the heart of our thinking.

- 7.13 *The avoidance of 'Format creep'. Ofcom will be alert to the possibility that a series of small changes to a Format could in aggregate amount to a substantial alteration to the character of service.*

There have been so significant changes to our Formats in recent years.

- 7.14 *Whether the station broadcasts on AM or FM... Changes, including substantial changes, to AM station formats will ... be more willingly agreed than would be the case for FM stations.*

We fully agree that AM stations are in particular need of support and light-touch regulation at this time. This is one of the cornerstones of our request.

- 7.15 *Whether the Format is one issued by the Radio Authority. Licences granted by the Radio Authority may include formats which need to be brought up to date in the light of current Ofcom practice.*

We believe that the relaxation of rules about the location of our local presenters, whilst ensuring local content is retained, is entirely in line with Ofcom's stated aim (quoted here from the Plain English Summary of "Radio – Preparing for the Future, Phase 2"):

“to move from the regulation of inputs (how programmes are made) to the regulation of outputs (what listeners hear),”

... regulating...

“without interfering too much yet still protecting the interests of citizens”.

8 Summary

- 8.1 Our proposed changes offer real benefits in our ability to improve the marketing of Classic Gold services. Regional marketing campaigns can be more cost-effective and better focused than local activity, and the cost savings which could be realised would be channelled back into promotion for the network, therefore offering more extensive as well as more effective marketing. Meanwhile, less scattered use of management time will lead to better training, support and development for our local presenters, improving their appeal.

- 8.2 We request these changes with the confidence that they will ensure the continued viability of these licences, boosting the commercial radio sector and the overall diversity of choice for listeners in our local areas.