



# **CLASSIC 102.7 FM ANNUAL COMPLIANCE REPORT**

**MARCH 2018**

## **2016/17 ANNUAL COMPLIANCE REPORT**

### **CLASSIC 102.7 FM**

**Licence Period: 17 December 2008 – 16 December 2018**

#### **1. PREFACE**

The Independent Communications Authority of South Africa (the Authority) has a statutory mandate in terms of the Constitution<sup>1</sup>, the ICASA Act<sup>2</sup> the Electronic Communications Act<sup>3</sup> (ECA) and the Broadcasting Act<sup>4</sup> to regulate broadcasting activities in South Africa in the public interest. The Authority is tasked with ensuring compliance by broadcasters with the ICASA Act, the ECA and the Broadcasting Act as well as specific terms and conditions of their licence and any other relevant legislation and regulations.

The following report is intended to give an account of Classic FM South Africa (Pty) Ltd (Classic 102.7 or the Licensee) compliance with the terms and conditions as set out in its licence for the 2016/2017 financial year. Aspects of compliance that are measured comprise of participation by Historically Disadvantaged Individuals (HDI), programming, format, news and information, local content obligations, language(s), South African Music Regulations, Regulations Regarding Standard Terms and Conditions, Code on People with Disabilities, Universal Service and Access Fund (USAF) Regulations and the General Licence Fee Regulations.

#### **2. BACKGROUND**

Classic FM is an Individual Broadcast Service Licensee broadcasting in and around Johannesburg. The radio station is broadcasting from studios situated at 06<sup>th</sup> Floor Jorissen Place, 66 Jorissen Street, Braamfontein, Johannesburg.

Classic FM provides has an obligation to carry out its service as per the terms and conditions of the broadcasting service licence granted to it by the Authority. The radio station's signal distribution service is conducted and maintained by Sentech (Pty) Ltd. According to the

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<sup>1</sup> The Constitution Of the Republic of South Africa No 108, 1996

<sup>2</sup> ICASA Act No 13, 2000 as amended

<sup>3</sup> Electronic Communications Act No 36, 2005

<sup>4</sup> Broadcasting Act no 4 of 1999

Broadcast Research Council of South Africa (BRC), the listenership figures for the last quarter of the period under review was 60 000.<sup>5</sup>

### **3. COMPLIANCE ASSESSMENT**

#### **3.1 Ownership and Control**

Clause 1.1 of Classic FM's licence<sup>6</sup> stipulates that the licence is issued to:

*"The name of company/entity: Classic FM 102.7 (Pty) Ltd."*

Clause 1.2 of Classic FM's schedule to the licence provides that the shareholders are as follows:

- i. Huntrex 144 (Pty) Ltd – 51.91%.
- ii. Golden Pond Trading 183 (Pty) Ltd – 25.15%.
- iii. Ingoma Trust – 15.09%.
- iv. Boitshepo Investments (Pty) Ltd – 7.85%.

Clause 1.3 of Classic FM's schedule to the licence stipulates that:

*"Ownership held by people from disadvantaged groups:*

- i. Huntrex 144 (Pty) Ltd – 51.91%.
- ii. Golden Pond Trading 183 (Pty) Ltd – 25.15%.
- iii. Ingoma Trust – 15.09%.
- iv. Boitshepo Investments (Pty) Ltd – 7.85%.

The Licensee confirms that Classic FM is owned by Classic 102.7 (Pty) Ltd.

According to the Licensee's latest HDI and shareholding submission<sup>7</sup>, the shareholding structure is still as reflected in the licence, however ownership held by people from disadvantaged groups has increased.

**The Licensee was found to be in compliance with clauses 1.1, 1.2 and 1.3 of its licence.**

#### **3.2 Name of Station**

Clause 1 of Classic FM's schedule to the licence prescribes that the name of the station shall be:

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<sup>5</sup> <http://www.brcsa.org.za/brc-ram-radio-listening-jul-16-dec-16-oct-16-mar-17/>

<sup>6</sup> Appendix A: Classic 102.7 FM's Service Licence

<sup>7</sup> Appendix B: Classic 102.7's HDI and Shareholding Report

*"Classic 102.7"*

The Licensee's submissions to the Authority boast a letter head that confirms that indeed the name of the radio station is Classic 102.7. A monitoring exercise carried out by the Authority on the Licensee's programming profile confirmed that the name of the station is as per prescription made by clause 1 of the schedule to the licence.

**The Licensee was found to be in compliance with clause 1 of the schedule to its licence.**

### **3.3 Geographic coverage area**

Clause 2 of Classic FM South Africa (Pty) Ltd's schedule to the licence provides that the coverage area shall be as follows:

*"Johannesburg, as defined in the coverage map attached to the Licensee's radio frequency spectrum licence<sup>8</sup>".*

The Licensee maintains that it broadcasts in and around Johannesburg and as specified in their radio frequency spectrum licence. In the year under review, the Authority received no complaints indicating interference by the Licensee in areas outside its footprint.

**The Licensee was found to be in compliance with clause 2 of its licence.**

### **3.4 Language(s)**

According to clause 3 of Classic 102.7's schedule to the licence the Licensee's language of broadcast shall be:

*"Principal Language: English"*

The Authority's monitoring exercise found that Classic FM broadcasts all its programmes in English.

**The Licensee was found to be in compliance with clause 3 of its licence.**

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<sup>8</sup> Appendix C: Classic 102.7's Frequency Spectrum Licence

### 3.5 Format

Clause 5.1 of Classic 102.7's schedule to the licence stipulates that:

*"The Licensee shall provide classical music."*

The Licensee's music output was observed to be solely classical music. The monitoring exercise found that the Classic FM plays sufficient local classical music while the bulk of its output is international.

**The Licensee was found to be in compliance with the clause 5.1 of its licence.**

Clause 5.2 of Classic 102.7's schedule to the licence further provides that:

*"The Licensee shall not change more than 15 percent (15%) of its format between 05h00 and 23h00".*

According to the Licensee's monthly log sheets<sup>9</sup>, there has been no changes to its format in the year under review. The Authority's monitoring exercise also could not find any changes to Classic FM's programming format while monitoring its profile.

**The Licensee was found to be in compliance with clause 5.2 of its licence.**

### 3.6 Local Content Obligations

Clause 6.1 of Classic FM's schedule to the licence stipulates that:

*"The Licensee shall develop local music and contribute towards the Licensee's South African music quota by hosting soirees at least quarterly. This shall be accompanied by an on air promotion of the artists concerned."*

According to the Licensee's submission, Classic FM hosted at least one "soiree" for each of the four quarters of the calendar year during the period under review. The gatherings sought to develop local music and the classical music ensembles featured did receive on air promotion.

The following are the soirees hosted by Classic FM in the year ended December 2016:

- Buskaid Ensemble focussing on the works of Mozart held at the St Marys Schools for Girls in January 2016;

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<sup>9</sup> Appendix D: Classic 102.7's Programming Log Sheets

- Johannesburg Festival Orchestra, a Handels Messiah Concert at the Melrose Arch in April 2016;
- Swing Ensemble offering the Mid-Winter Festival at the Melrose Arch in July 2016; and
- Spring Concert featuring Mayford Seeds at the Linder Auditorium in September 2016.

The Licensee's submissions were confirmed to be true and therefore **Classic FM was found to have complied with clause 6.1 of the licence.**

Clause 6.2 of Classic FM's schedule to the licence provides that:

*"The Licensee shall continue to be involved in the development of local music by offering a minimum of one million rand (R1 000 000.00) per annum in free on-air advertising for concerts at a reduced cost, allocated at its discretion for concerts, workshops, free live on-air interviews, the promotion of soirees and development of new artists whose music aligns with its format."*

In the year under reviewed, Classic FM reports to have allocated airtime valued at R2 634 822.00 for the promotion of the above-mentioned soirees and other concerts. According to the Licensee, the airtime was for the purposes of promoting and developing new classical music artists. Classic FM submitted a list<sup>10</sup> of contracts entered into with organisations that promote classical music and different choirs or ensembles indicating the value of airtime allocated to all beneficiaries in the year under review.

**The Licensee was found to be in compliance with clause 6.2 of the licence.**

### **3.7 General Programming Obligations**

Clause 7.1 of Classic FM's schedule to the licence stipulates that:

*"The Licensee shall broadcast news on a regular basis for a minimum of fifty (50) minutes each day between 05h00 and 23h00".*

According to the Licensee's programming log sheets, Classic FM broadcasts at least 127 minutes of news on each day. The findings of the Authority's monitoring were that, Classic FM schedules at least thirteen (13) news bulletins on each day. The news bulletins would last for four (4) minutes and this translates to at least fifty two (52) minutes of news per day.

- *"CEO of a debt management firm, Debt Rescue, Neil Roetz says that, in addition to the expected increase in the price of red meat; consumers should also brace themselves for*

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<sup>10</sup> Appendix E : Contracts for Airtime allocation

*an 18c per litre hike in the price of petrol. This in turn, will have a knock off effect on the prices of other commodities. The volatility of the rand also remains a problem, affecting the prices of imports negatively while the food shortages caused by the draught has also worked its way through the economy and the price of food has risen substantially. Roetz said further increases could be expected as South Africa will have to import large amounts of food such as maize and wheat.*

- *The Communication Workers Union (CWU) says around 90% of the workers at the South African Post Office could go on a two day strike action next week. SAPO employees have not received salary increases for 2 years. Subsequently CWU is planning a strike for May – 5<sup>th</sup> to 6<sup>th</sup> – to demand a higher annual pay rise for staff and the conversion of casual workers to permanent employees. The planned strike come despite the Post Offices currently being cash strapped as it reported a 1.5 billion rand loss last year. SAPO employs around 22 000 staff and is undergoing a turnaround phase as government moved late last year to hire former banker Mark Barnes as its Chief Executive Officer. Barnes told Parliament earlier this year that the Post Office could be profitable again by 2018.*
- *Embattles Nelson Mandela Bay Major, Danny Jordan, has come under more fire today for hiring a convicted criminal as the Metro's Head of Safety and Security. Former Correctional Services Commissioner, Linda Mthi, was appointed to the post by Jordan earlier this week, despite Mthi being convicted of drunk and negligent driving in 2008. He was also implicated in fraud and corruption amounting to one and a half billion rand, by the Special Investigating Unit (SIU). The opposition, Democratic Alliance, has taken issue with the fact that, Mthi along with the Metro Police Chief, Pinky Mathabethe who was hired in 2014, are being paid salaries despite the new metro police force only being launched in 2 months' time. Nelson Mandela Bay had to postpone the launch of the Metro Police Department by 2 months due to budget constraints.*
- *The High Court in Pretoria said that the decision taken by Former NPA Head, Mokotedi Mpshe, to drop corruption charges against President Jacob Zuma in 2009 was irrational. This means that the DA's application has succeeded and the decision of first respondent in 2009, to discontinue prosecution is reviewed and set aside. The Democratic Alliance leader, Mmusi Maimane had this to say after the ruling: [Presenter crosses over to a pre-recorded interview with Mmusi Maimane].*

**The Licensee was found to be in compliance with clause 7.1 of its licence.**

Clause 7.2 of Classic 102.7's schedule to the licence stipulates that:

*"Should the Licensee source news material from a source other than itself, the source(s) thereof shall be disclosed during the news broadcast."*

Classic FM discloses news material that it obtains from other sources other than its journalists during the relevant news bulletin. The Licensee's news sources are:

- i. British Broadcasting Corporation (BBC)
- ii. News24; and
- iii. Reuters.

**The Licensee was found to be in compliance with clause 7.2 of its licence.**

Clause 7.3 of the schedule to the licence provides as follows:

*"The Licensee shall provide the Classic Business programme on all weekdays".*

In its monthly log sheets, Classic FM, submits that the Classic Business programme is indeed a weekday feature on its programming profile. The Authority's monitoring exercise found the Licensee's submissions to be true. The programme "Classic Business" features on air between 17h30 and 19h00 during weekdays. The programme centres on business news making headlines and interviews with leaders in the different industries and government. Classic Business brings you closer to the business stories shaping the economy and the market trends thus providing important information for investment opportunities.

The programme provides the listener with in depth company profiles and the very latest economic analysis. Mondays to Thursdays from 18h30 to 19h00, the team explores the enterprising world of the broader political economy with the Classic Business Panel. A panel debates the big issues of the day in terms of business. The Licensee's Friday feature wraps up the week with a half-hour special on business stories that made headlines during that particular week.

**The Licensee was found to be in compliance with clause 7.3 of its licence.**

### **3.8 Training and Skills Development Obligations**

Clause 8.1 of the Licensee's schedule to the licence makes the following prescription:

*"The Licensee shall train its staff on an ongoing basis."*



Classic FM's submission indicates that training is provided to its staff on an ongoing basis. The submission indicates that the Licensee offers its staff a wide range of training opportunities from administration to on air preparation.

**The Licensee was found to be in compliance with clause 8.1 of its licence.**

Clause 8.2 of the Licensee's schedule to the licence stipulates that:

*"The Licensee shall train and provide at least short-term employment opportunities to empower two (2) interns per year."*

According to Classic FM's report; the Licensee has in the year under review admitted at least 3 interns from different tertiary institutions. The following were interns at Classic FM:

- i. Asanda Nkunkuma an intern in Production Department as a Sound Engineers. Mr Nkunkuma is now a permanent employee with the Licensee.
- ii. Ms Dorcas Nobela an intern in Sales Administration; and
- iii. Ms Charisa Botha also in the Production Department and now works as a Junior Producer at the radio station.

**The Licensee was found to be in compliance with clause 8.2 of its licence.**

Clause 8.3 of Classic 102.7's schedule to the licence stipulates that:

*"The Licensee shall conduct presentation training throughout the year".*

The Licensee's compliance with this clause should be measured with Classic FM's compliance with clause 9.2. The Licensee submits that it does provide presentation training throughout the year. The beneficiaries were, according to the Licensee's reports, presenters brought in from Radio Today, Alex FM and Kofifi FM.

**The Licensee was found to be in compliance with clause 8.3 of its licence.**

### **3.9 Community-related obligations**

Clause 9.1 of Classic FM's schedule to the licence stipulates that:

*"The Huntrex creates a trust with shareholding equal to that held by the Liberty Foundation with the express aim of ensuring the direction of dividends earned, to the development of South African arts and culture".*

Classic FM submits that the Ingoma Trust remains a shareholder of Classic FM South Africa (PTY) LTD and that the specific objective of the trust meets the aim as envisaged by the licence conditions. The trust deed was recently amended to have a more broad based black economic representation. The Ingoma Trust maintains a shareholding equal to that which the Liberty Foundation previously held.

**The Licensee was found to be in compliance with clause 9.1 of its licence.**

Clause 9.2 of Classic 102.7's schedule to the licence makes the following prescription:

*"The Licensee shall offer presentation training to two (2) individual from community radio stations annually".*

The Licensee's compliance with this clause is be measured together with clause 8.3 of the licence. The Licensee submits that, in the year under review, it did provide presentation training as required by the licence. The beneficiaries, as stated above, were presenters brought in from Radio Today, Alex FM and Kofifi FM.

**The Licensee was found to be in compliance with clause 9.2 of its licence.**

#### **4. REGULATIONS**

##### **4.1 Compliance Procedure Manual Regulation**

###### **4.1.1 Form 11 Judgement Form**

According to the Compliance Procedure Manual Regulation, Licensees are required to submit Judgement Forms to the Authority in instances where there have been court judgments against that Licensee or any of its shareholders. For the year in review, Classic FM submitted Form 11 according to which there was a civil judgement against Classic FM by the Johannesburg High Court for unpaid taxes towards the South African Revenue Services (SARS).

###### **4.1.2 Form 12A Complaints Report**

Classic FM is required, in terms of the Compliance Procedure Manual Regulations, to submit a Form 12A<sup>11</sup> which reports on all complaints received during each financial year. In April 2017, the Licensee submitted its complaints report in accordance with this regulation.

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<sup>11</sup> Appendix F: Classic 102.7's Form 12A

According to the Licensee's Form 12A, Classic FM received at least 13 listener related complaints and all of them were resolved. The Licensee did not divulge the details of the complaints or how they were resolved. The Licensee failed to fully submit all the information required by the Form and **therefore did not fully comply with the Regulation.**

#### **4.2 Code for Persons With Disabilities**

Clause 3.1 (a) of the Code for Persons With Disabilities of 2007 stipulates that:

*"Broadcasting service Licensees must ensure that their services are made available and accessible to people with disability."*

Classic FM's premises and their service was found to cater and is accessible to people with disabilities.

**The Licensee was found to be in compliance with the above mentioned regulation.**

#### **4.3 South African Music Content Regulations**

Regulation 3.2 of the Regulations on South African Music Content<sup>12</sup> as published on 31 January 2006 stipulates that:

*"Every holder of a commercial sound broadcasting licence to which these regulations apply must ensure that a minimum of 25% of the musical works broadcast in the performance period consist of South African music and that such South African music is spread reasonably evenly throughout the said period".*

According to Classic 102.7's programming log sheets, the Licensee plays at least 34% South African music in its profile. The Authority's monitoring exercise found that Classic 102.7's on air profile carries a significant amount of South African music. Various classical music ensembles were found during monitoring. Among those found during monitoring were: The Buskaid Ensemble, the Johannesburg Festival Orchestra, and various other orchestra ensembles performing the works of some internationally renowned classical music composers and artists.

**The Licensee was found to be in compliance with regulation 3.2 of the Regulations on South African Music Content.**

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<sup>12</sup> Appendix G: South African Music Regulations

#### 4.4 Universal Service and Access Fund

Regulation 3(1) stipulates that:

*"Every holder of a licence granted in terms of Chapters 3, 4 and/or 9 or converted in terms of Chapter 15 of the Act, must pay an annual contribution of 0.2% of its Annual Turnover to the Fund". (See appendix G)<sup>13</sup>.*

Regulation 3(2) stipulates that:

*"A BS licensee who has paid an annual contribution to the MDDA must set off that contribution against its USAF contribution, provided that the MDDA contribution and the USAF contribution against which it is set off are for the same financial year".*

The Licensee paid its contribution to the Universal Service and Access fund as prescribed by the Regulations Regarding the Universal Service and Access Fund for Individual Licensees.

**The Licensee was found to be in compliance with Universal Service and Access Fund Regulations.**

#### 4.5 General Licence Fees Regulations

Regulation 3 (1) of the General Licence Fees Regulations published in the *Government Gazette* No. 32084 on 01 April 2009 states as follows:

*"Individual Commercial Broadcasting Service Licensees to pay an annual licence fee of 1.5% of gross profit to the Authority".*

*Schedule 3 (4) (b) (c) states that:*

- "(b) In respect of payment, such are due and payable within 6 months from the end of the licensee's financial year;*
- (c) May only be paid by way of an electronic transfer or via direct deposit into the Authority's bank account."<sup>14</sup>*

The Licensee paid its annual contribution towards the General Licence Fees. The Authority's records show that this payment was made at least 2 months later than required timeline. The Licensee's compliance with this clause is measured in its entirety and not in part. While the report shows that the payment was made, **the Licensee failed to comply with Schedule 3 (4) (b) of the regulation as payments were made late.**

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<sup>13</sup> Appendix H: Universal Service and Access Fund Regulations

<sup>14</sup> Appendix I: General Licence Fee Regulations

## **5. CONCLUSION**

Classic FM has mostly complied with the terms and conditions prescribed by its licence, and most of the relevant regulations. The Licensee's failure to pay the general licence fee on time constitutes non-compliance and a punishable offence. The Licensee is expected to respond with regards to their failure in this regard and to rectify its actions in future. The Licensee is generally responsive in terms of rectifying non-compliance matters and the Authority will continue to liaise with and assist where possible with non-compliance.

## **6. TERMS OF REFERENCE**

**Appendix A:** Classic 102.7 FM's broadcasting service licence;

**Appendix B:** Classic 102.7 FM's HDI and Shareholding Report;

**Appendix C:** Classic 102.7FM's Frequency Spectrum Licence;

**Appendix D:** General Log Sheets;

**Appendix E:** Contracts for Airtime allocation;

**Appendix F:** Form 11: Classic 102.7 FM's Judgement Form;

**Appendix G:** Form 12A: Classic 102.7 FM's Complaints Report;

**Appendix H:** South African Music Content Regulations;

**Appendix I:** Universal Service and Access Fund Regulations; and

**Appendix J:** General Licence Fee Regulations.