



# **CLASSIC 102.7 FM ANNUAL COMPLIANCE REPORT**

**MARCH 2020**

# **2018/19 ANNUAL COMPLIANCE REPORT**

## **CLASSIC FM 102.7 (PTY) LTD BROADCASTING AS 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, the ICASA Act and the Electronic Communications Act ("ECA") to regulate broadcasting activities in South Africa in the public interest. Among the responsibilities of the Authority is the task to ensure compliance by broadcasters with the terms and conditions of their licence, the Electronic Communications Act ("ECA"), the ICASA Act and any relevant legislation or regulation.

This report seeks to give an account of Classic FM South Africa (Pty) Ltd ("the Licensee")'s compliance with the terms and conditions as set out in its licence for the 2018/2019 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, Universal Service and Access Fund ("USAF") and the General Licence Fee Regulations.

### **2. BACKGROUND**

Classic 102.7 FM is an Individual Broadcast Service Licensee broadcasting in and around Johannesburg. Classic FM 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.

### **3. COMPLIANCE ASSESSMENT**

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

Clause 1.1 of Classic FM's licence<sup>1</sup> stipulates that the licence is issued to:

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

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<sup>1</sup> Appendix A: Classic 102.7 FM's Service Licence

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%; and*
- 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%; and*
- iv. Boitshepo Investments (Pty) Ltd – 7.85%.*

In January 2018, Classic FM submitted a Form O Notice to the Compliance and Consumer Affairs Division ("CCA") for the purposes of notifying the CCA of a transfer of shares from Boitshepo Investments (7.85%) to Africa Media Entertainment (Pty) Ltd ("AME"). Upon perusal of the notice and subsequent correspondence between the CCA and the Licensee, CCA had reason to believe that the Licensee was in breach of Section 65(2) of the Electronic Communications Act, through the change in the shareholding structure. The matter was brought before the Complaints and Compliance Committee ("CCC")<sup>2</sup> on 07 November 2019.

At the time of compiling and completing this report, the CCC had not yet made its recommendation to the Authority on the matter.

### **3.2 Name of Station**

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

*"Classic 102.7"*

The Licensee submitted and confirmed that it broadcasts as Classic 102.7. This was further confirmed during the monitoring exercise.

**The Licensee complied with clause 1 of the schedule to the licence.**

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<sup>2</sup> Appendix B: CCC Referral for the case on the breach of Section 65

### **3.3 Geographic coverage area**

Clause 2 of the schedule to the licence provides that Classic FM's coverage area shall be: *"Johannesburg, as defined in the coverage map attached to the Licensee's radio frequency spectrum licence<sup>3</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 did not receive complaints in relation to the Licensee operating outside of its geographic coverage area.

**The Licensee Complies with clause 2 of its licence.**

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

Clause 3 of Classic 102.7's schedule to the licence provides that Licensee's language of broadcast shall be:

*"Principal Language: English"*

A monitoring exercise carried out by the Authority's confirmed that Classic 102.7 broadcasts all its programmes in English.

**The Licensee complies with clause 3 of its 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 Authority's monitoring exercise found that Classic FM broadcasts only classical music in its programming. The Licensee's music line up was found to feature a lot of international classical music, while sufficiently providing local classical music to its audience.

**The Licensee complies 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".*

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<sup>3</sup> Appendix C: Classic 102.7's Frequency Spectrum Licence

According to the Licensee's submission, their programming format has not changed.

The Authority's monitoring exercise did not detect any significant changes to the Licensee's programming format, for the period under review. The monitoring exercise reviewed and compared programme recordings and log sheet<sup>4</sup> previously and currently submitted by the Licensee. There were no noteworthy changes in the regular programming, although changes of certain features within shows, were detected. However, those changes did not result in the format change of more than 15%.

### **The Licensee complies with Clause 5.2 of its licence.**

### **3.6 Local Content Obligations**

Clause 6.1 of the 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."*

The Licensee did not host any soirees in the year under review. The Licensee attributes this non-compliance to the lack of sponsorship.

According to Classic FM, soirees have been sponsored events and due to the lack of such sponsorship, they were unable to host the soirees.

The Licensee further attributes the non-compliance to the financial challenges it has experienced in the past two (2) financial years. However, asserts that it continues to promote artists via the free on-air advertising and hosting them on air.

### **On the basis that the soirees were not hosted as prescribed, Licensee does not comply 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-*

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<sup>4</sup> Appendix D: Classic FM's Programming Log Sheet

*air interviews, the promotion of soirees and development of new artists whose music aligns with its format."*

The Licensee reports to have allocated airtime valued at approximately R1 500 000.00 for the satisfaction of this obligation and in its dedication to see the development of local music. Further, adds that the airtime was for the purposes of promoting and developing new classical music artists.

### **The Licensee complies 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".*

The Licensee's Programming Log Sheets suggest that the it broadcasts at least one hundred and thirty (130) minutes of news per day during the South African Performance Period.

The entries on the Licensee's submission indicate that the bulk of their news output is national news, followed by regional news content and that most of their news content is self-originated.

The Authority's monitoring exercise found that, the Licensee broadcasts at least thirteen (13) news bulletins each day. The news bulletins are for a duration of four (4) minutes and a total average duration of at least fifty-two (52) minutes per day.

The following are some of the News extracts identified during monitoring:

- *"The Health Ombudsman has warned that the National Department of Health is headed for a disaster if the Constitution is not changed. [Audio unclear] Makgopa says there are a number of issues facing public health institutions in the country, that have the potential to result in the collapse of the health sector. Makgopa added that it has come to his attention that there are other "Life Esidimeni Tragedies" playing out throughout the country and which need urgent attention;*
- *In 2016 one hundred and forty-four mentally ill patients died after being transferred from other unlicensed NGOs throughout Gauteng in what has since been described as*

*the "Life Esidimeni Tragedy". Makgopa urged the government to meet with health care workers to come up with a new strategy to address the health crisis.";*

- *"A public hearing on the Cape Town International Airport name change plunged into chaos, last night. Airport Companies SA held its first public hearings to debate the potential name change for the airport. This comes after EFF Leader, Julius Malema, called for the airport to be renamed after struggle icon, Winnie Madikizela-Mandela. Other proposed names for the airport included, late Former President, Nelson Mandela, struggle stalwarts Robert Sobukwe, Albertina Sisulu and Archbishop Emeritus Desmond Tutu. Some members of the public who attended the hearing last night had various name suggestions.";*
- *"Zimbabwe's main opposition, the Movement for Democratic Change, has been granted permission to go ahead with their planned march today. The demonstration is aimed at the country's election body's failure to implement a range of electoral reforms;*
- *The MDC believes that these reforms are the key to a free and credible election. However, the Zimbabwean Electoral Commission dismissed these claims saying all political parties will have free access to the voter's roll before the 14<sup>th</sup> of June when the nomination court sits.";* and
- *"Durban is ready to host thousands of athletes for the upcoming Comrades marathon. The marathon takes place this coming weekend beginning at the Pietermaritzburg City Hall ending at a new venue, the Moses Mabhida Stadium in Durban. Race Director, Bronwyn James says the marathon is an internationally recognised race. James says, this year, they are expecting more than ninety thousand athletes to participate".*

### **The Licensee complies 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."*

The Licensee discloses news material that it obtains from other sources other than its journalists during the relevant news bulletin.

The Licensee's news sources are as follows:

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

iii. Reuters.

**The Licensee complies 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".*

The Licensee's log sheets indicate that the "Classic Business" programme is indeed a weekday feature on its programming profile. The programme features twice a day and has at least two (2) and a half hour, daily.

A monitoring exercise conducted by the Authority's found that "Classic Business" features for an hour between 07h00 and 08h00 during the breakfast show and then again between 17h30 and 19h00. Both shows are strictly dedicated to business news and trends and the programme centres on business news making headlines and interviews with leaders in the different industries and government. With this offer, the Licensee, brings the audience closer to the business stories shaping the economy and the market trends thus providing important information for investment opportunities.

The programme provides its audience with in-depth company profiles and the latest economic analysis. The Friday feature wraps up the week with a half-hour special on business stories that made headlines during that particular week.

**The Licensee complies 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."*

The Licensee submits that training is provided to its staff on an ongoing basis. The Licensee reports of training its staff on a wide range of training offerings from administration to on air preparation.

**The Licensee complies 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 the Licensee's annual report, for the year under reviews, it has admitted at least four (4) interns from different tertiary institutions. The following were interns at Classic 102.7 FM, for the year ended 2019, are:

- i. Ms Millicent du Plessis an intern in the IT department. Later appointed as an employee;
- ii. Ms Itumeleng Baepane, an intern in the News Department;
- iii. Ms Mosibudi Malatswane, an intern in the Finance Department. Later appointed as a receptionist;
- iv. Mr Sohail Sayeed, an intern in the IT and Technical Department. Later appointed as a full-time employee in the Technical Department.

### **The Licensee complies 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 continues to host presentation training to individuals from different community radio stations. For the year under review, it submits to have provided presentation training to presenters from Jozi FM, Alex FM and Radio Today. The Licensee has long standing relationship with the three (3) mentioned community broadcasting Licensees.

Further Classic 102.7 submitted that any assistance in terms of development and training is afforded to the Licensees mentioned above, at first preference. The training intervention would mostly dwell on on-air etiquette and production basics. The platform affords the trainees with an opportunity to learn from those that are experienced and to expose them to a wider audience than that covered by the respective community radio stations.

### **The Licensee complies 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".*

According to the Licensee's annual report, Ingoma Trust remains a shareholder of Classic FM South Africa (PTY) LTD and that the specific objective of the trust meets the requirement as envisaged by this licence obligation. The Ingoma Trust maintains a shareholding equal to that of Liberty Foundation.

#### **The Licensee complies 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 Licensees compliance with this clause is measured alongside the licensee's compliance with clause 8.3 of their license.

The Licensee submitted that it provided presentation training in the year currently under review. The beneficiaries to the training intervention were from Jozi FM, Radio Today and Alex FM.

#### **The Licensee complies with clause 9.2 of its licence.**

### **4. REGULATIONS**

#### **4.1 ICASA South African Music Content Regulations, 2016**

Regulation 3(2) of the ICASA South African Music Content Regulations, 2016<sup>5</sup> as published on 23 March 2016 stipulates that:

*"A holder of a commercial sound broadcasting service licence must ensure that after eighteen (18) months from the date of gazetting of these Regulations, a minimum of 35% of the musical works broadcast in the performance period, consist of South African music and that such South African music is spread evenly throughout the performance period."*

The Licensee music log sheets<sup>6</sup> indicate that it broadcast an average of 35% South African music in its profile. The Authority's monitoring exercise found that the Licensee's on-air profile carries a significant amount of South African classical music and performances. The Licensee's music offering featured live interviews of local classical music ensembles and composers. Musical works from various opera houses such as the Johannesburg

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<sup>5</sup> Appendix E: ICASA South African Music Content Regulations, 2016

<sup>6</sup> Appendix F: Classic FM's Music Log Sheet (a sample)

Philharmonic Orchestra and the Cape Town Philharmonic Orchestra was broadcast from concerts hosted by these houses. The following classical music ensembles were also among those found during monitoring: *The Buskaid Ensemble, and the University of Stellenbosch Orchestra ensemble.*

### **The Licensee complies with regulation 3.2 of the Regulations on South African Music Content.**

#### **4.2 Universal Service and Access Fund**

Regulation 3(1) stipulates that:

*"Every holder of a licence granted in terms of Chapter 3 or converted in terms of Chapter 15 of the Act, must pay an annual contribution of 0.2% of the annual turnover, derived from the licensee's licence activity, to the Fund"*<sup>7</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 complies with Universal Service and Access Fund Regulations.**

#### **4.5 General Licence Fees Regulations**

Regulation 3 (1) of the General License Fees Regulations<sup>8</sup> 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;*

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<sup>7</sup> Appendix G: Universal Service and Access Fund Regulations

<sup>8</sup> Appendix H: General License Fee Regulations

*(c) May only be paid by way of an electronic transfer or via direct deposit into the Authority's bank account."*

The Licensee has paid its annual contribution towards the General Licence Fees. According to the Authority's records, the payment was made on time and in line with the provisions of this regulation.

**The Licensee complies with regulation 3(1) and schedule 3 (4) (b) of the General Licence Fee Regulations.**

## **5. CONCLUSION**

The Licensee generally complies with its licence terms and conditions and relevant regulations. However, the Licensee is aware of the non-compliance with clause 6.1 of the licence and attributes the non-compliance to the lack of sponsorship for the soirees. The Licensee has not provided information and proof thereof on how these sponsorships were previously acquired and the reasons for the lack of such sponsorship currently. The Licensee will be contacted regarding the non-compliance, with a potential referral to the CCC for hearing and adjudication.

## **6. TERMS OF REFERENCE**

- 6.1** Appendix A: Classic 102.7 FM's Service License;
- 6.2** Appendix B: CCC Referral for the case on the breach of Section 65;
- 6.3** Appendix C: Classic 102.7's Frequency Spectrum License;
- 6.4** Appendix D: Classic FM's Programming Log Sheet;
- 6.5** Appendix E: ICASA South African Music Content Regulations, 2016;
- 6.6** Appendix G: Universal Service and Access Fund Regulations; and
- 6.7** Appendix H: General License Fee Regulations.