

**CONFIDENTIAL REASONS FOR THE PROPOSED AMENDEMENTS TO THE LICENCE**

1. INTRODUCTION

1.1 567 Cape Talk (Cape Talk) is applying for amendments to clauses 4 and 5 of its Individual Commercial Sound Broadcasting Service Licence ("the licence"). In essence these amendments aim to achieve two key goals, namely to:

- 1.1.1 allow Cape Talk to play more music on weekends than is currently the case while ensuring that its Talk Radio Format stays exactly as is during the week which is when most of its listeners engage in talk radio; and
- 1.1.2 reduce the obligation that 50% of the news bulletins consists of Cape Town-focused news stories,

both of which amendments are necessary if Cape Talk is to remain financially viable as an AM commercial station.

2. CURRENT FINANCIAL REALITIES OF MW COMMERCIAL BROADCASTING

2.1 Icasa has long recognised the difficulties facing MW commercial stations, two of which, the two Punt Geselsradio stations, collapsed and went off air and one of which, Radio 702, was given an exemption to become an FM station.

2.2 The Covid-19 Pandemic has been particularly devastating for Cape Talk which has always been, at best, a marginal station. The massive decrease in advertising resulting from the lockdown and the fact that Cape Town is reliant on tourism and the restaurant and wine industries, has hit Cape Talk hard. This is particularly the case because so many small businesses have been impacted and these are the mainstay of Cape Talk's advertisers.

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2.4 Icasa will be aware that as has been the case for a number of broadcasters and other media owners, including DSTV, Caxton Publishers, and the SABC, Primedia had to embark on a round of retrenchments in terms of section 189 of the Labour Relations Act in order to stabilise its financial position.

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2.6 However, retrenchments and some temporary relief in signal distribution costs have been insufficient to turn Cape Talk around and it continues to be loss-making. Further, it is clear that even if the nation achieves herd immunity through a comprehensive vaccine roll-out (which is likely to take some years given the current vaccination rates) the long term damage to MW commercial radio, and particularly to Cape Talk, is not going to be easily overcome. This is because other streaming and online audio-podcast services are making traditional commercial radio a difficult industry to achieve commercial success in.

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### 3. THE COST OF MUSIC VS TALK RADIO AND THE NEED TO RECOGNISE DIFFERENTIATING AUDIENCE TASTES ON BUSINESS DAYS VS WEEKENDS AND PUBLIC HOLIDAYS

3.1 As Icasa is aware, the costs of broadcasting talk radio programming are significantly higher than the costs of broadcasting music programming. This is because the personnel costs of production staff and external contributors are so much more extensive and expensive relative to music programming.

3.2 As Icasa is also aware, talk radio is particularly driven by the drive times – that is, the peak periods in the early morning and late afternoon Mondays to Fridays (excluding public holidays) when motorists are in their vehicles and travelling to and from work/dropping children at school.

3.3 Talk radio listenership drops off significantly on weekends and public holidays as listeners want a respite from discussions of current affairs. However, Cape Talk prides itself on being the only talk radio station in Cape Town and does not want to change its format away from talk radio during its peak listening periods, that is Monday to Friday excluding public holidays.

3.4 Nevertheless, Cape Talk is finding that its Cape Town audience is not wanting significant amounts of talk radio on the weekends and on public holidays and that these times prefer the more easy listening that comes from music. Obviously, Cape Talk aims its music offering at its particular audience and consequently plays very different music to that available on its local sister station KFM.

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- 3.7 Consequently, Cape Talk is applying for the obligation of maintaining a minimum 85% - talk and 15% - music ratio to be done away with on weekends and public holidays only. The impact on listeners during the week (the vast majority of Cape Talk's listeners in any event) will be entirely unaffected by the change as the talk vs music ratio will remain unchanged on Mondays to Fridays excluding public holidays.

#### 4. THE OVER EMPHASIS OF CAPE-TOWN-FOCUSED NEWS IN THE LICENCE CONDITIONS

- 4.1 In the existing clause 5.2 of the Schedule to its licence, Cape Talk is required to ensure that local news constitutes "at least 50% of its total news component".
- 4.2 Primedia is exceptionally proud of the prominence its news arm, Eye Witness News or EWN, as achieved as an impartial and trusted source of news nationally. It obviously employs a significant number of journalists and editors in Cape Town and carries significant Cape Town and Western Cape focused news not only on Cape talk and KFM but also on its sister stations, 947 and 702 and on its EWN website and app. Its senior parliamentary correspondent, Gaye Davis, is nationally recognised for her expertise and commentary on all aspects of Parliamentary oversight and legislation-making proceedings. EWN has won numerous awards for its exceptional news coverage, garnering no fewer than seven awards in the past year alone from Bookmarks, Sivukile and Vodacom.
- 4.3 Primedia respectfully submits that the licence condition that was imposed when the greenfields Cape Talk licence was granted is no longer necessary, no longer serves a useful function and now hinders Cape Talk in its ability to provide kind of news coverage on national, regional and international events demanded by its audience. In this regard we set out below the results of a market study into attitudes towards Cape Talk's news by its audience which study was commissioned of specialist radio market researcher Audience Research International (ARI) and which was conducted in April 2019:

##### ***Parameters of Importance***

***There are many variables a radio station may take into consideration as part of their programming. Please indicate the importance of the following variables when selecting a radio station to switch to or listen to by rating the items as being quite important, somewhat important, or being never important.***

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4.5 Cape Talk, as a Cape Town-based station, will always cover Cape-based news in a more in-depth manner and with more regularity than stations based in other provinces. However, the strict 50% requirement (which is, of course, measured in minutes for compliance reporting purposes) requires an artificially high focus on such news which is not representative of the newsworthiness of, or audience appetite for, Cape-based news.

4.6 Primedia is of the respectful view that the Cape-based focus of EWN will, of course, remain, given that half of Primedia's broadcasting assets are Western Cape located, including the Western Cape office of EWN and the demand by its audience of coverage of Parliamentary affairs, Western Cape governmental affairs (particularly given its prominence as the only non-ANC governed province), and of certain of its unique economic activities as a tourist and wine-making hub, including given the unique fynbos biome. However, to oblige an artificially high quota of Cape-based news in the licence conditions undermines the news offering as a whole and is not in the interests of its audience or its commercial operations. This is particularly so when many ostensibly provincial or local news issues require a national focus in order to cover governance stakeholders such as national departments, National Treasury and the like.

## 5. CONCLUSION

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