



# **CLASSIC FM ANNUAL COMPLIANCE REPORT**

**MARCH 2017**

# **2014/15 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, the ICASA Act and the Electronic Communications Act (ECA) to regulate broadcasting activities in South Africa in the public interest. One of the main tasks of the Authority is to ensure compliance by broadcasters with the terms and conditions of their licence, ECA, the ICASA Act and any relevant legislation and regulations.

The purpose of this report is to give account of Classic FM's compliance with the terms and conditions as set out in its licence for the 2015/2016 financial year. Aspects of compliance that are measured comprise of geographic coverage, programming, format, news and information, local content obligations, language(s), South African Music Regulations, Regulations Regarding Standard Terms and Conditions, General Licence Fees Regulations and Universal Service and Access Fund (USAF).

### **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 in Johannesburg.

Classic FM provides a sound broadcasting service on 102.7 FM as specified in the frequency spectrum licence<sup>1</sup> granted to it by the Authority.

The radio station's signal distribution service is conducted and maintained by Sentech (Pty) Ltd.

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<sup>1</sup> Appendix B: Frequency Spectrum Licence

The Licensee's primary target market is LSM 8-10, Age 35+, in Gauteng<sup>2</sup>. The January to September 2016 Radio Audience Measurement Survey (RAMS) done by the Broadcast Research Council of South Africa (BRC) 'reflects an average audience of 71 000, in the past seven days (weekly audience) for the radio station'<sup>3</sup>.

### **3. COMPLIANCE ASSESSMENT**

#### **3.1 Ownership and Control<sup>4</sup>**

Clause 1.1 of Classic FM's schedule to the licence 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 HDG and shareholding submission, the shareholding structure is still as reflected in the licence, however ownership held by people from disadvantaged groups has increased. A breakdown of this structure is attached<sup>5</sup>.

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<sup>2</sup> [http://www.gauteng.net/pages/page/radio\\_in\\_gauteng](http://www.gauteng.net/pages/page/radio_in_gauteng)

<sup>3</sup> <http://www.brcsa.org.za/brc-ram-radio-listening-jan-sep-2016/>

<sup>4</sup> Appendix C: Classic FM Control Structure & Staff compliment

<sup>5</sup> Form 1 of Standard Terms and Conditions and breakdown of the structure.

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

### **3.1 Geographic coverage area**

Clause 2 of Classic FM's schedule to the licence stipulates that the coverage area is as follows:

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

The Licensee submits that it broadcasts in and around Johannesburg. The Authority's monitoring exercise confirmed that the Licensee broadcasts in and around Johannesburg.

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

### **3.2 Language (s)**

Clause 3 of Classic FM's schedule to the licence stipulates that Classic FM's language of broadcast is as follows:

*"Principal Language: English"*

The Authority's monitoring exercise revealed that Classic FM broadcasts its programmes and news in English.

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

### **3.3 Format**

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

*"The Licensee shall provide classical music."*

Classic FM's is a classic music driven radio station as it broadcasts mainly classical music, international and local and no other genres. This was confirmed by the Authority's monitoring exercise.

The radio station's playlist has a wide range of classical music ranging from Ludwig Beethoven, Wolfgang Mozart to Bach. It also features contemporary works of composers like David Foster featuring Adrea Bocelli to Giacomo Puccini and local classical artists like Pumeza Matshikiza amongst others.

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

Clause 5.2 of Classic FM's licence stipulates that:

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

Classic FM's programme format and line up is consistent thus did not change during the period under review.

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

### **3.4 Local Content Obligations**

On 1 April 2015, the Authority received an amendment application from the Licensee regarding clauses 6.1 – 6.4 and 9.3. The amendment was granted and the reasons for decision were duly published in August 2016.

Clause 6.1 as amended reads as follows:

*"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 artist concerned".*

Classic FM has implemented the above by having the Mid-Winter Festival in Melrose Arch performed by the Swing City Ensemble, which consists of some of South Africa's top male singers, namely Loyiso Bala, Graeme Watkins and Nathan Ro.

**The Licensee has for the period under review, complied with clause 6.1 of its licence.**

Clause 6.2 as amended provides as follows:

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

Classic FM broadcasts a weekday feature called "Classic Grapevine". The programme offers free promotions for local classic music events. Classic FM has submitted a list of events that were covered for the period under review some of these events are listed below.

- *"The Buskaid Concert three times a year, one was in honour of Enoch Sontonga, another an annual concert, the third one classic music concert in Pretoria", and*
- *"The Johannesburg Philaharmonic Ochestra – Symphony Ochestra" was supported three times in 2016 and "The Johannesburg Youth Ballet – Midsummer Nights Dream".*

The Licensee reported that the value for all the events as per the submitted schedule was R 2 634 822.

**The Licensee has for the period under review complied with clause 6.2 of its licence.**

### **3.5 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".*

Classic FM broadcasts national and international news at different times from 06h00 until 17h00, for approximately 4 minutes per bulletin and 30 seconds of headlines at the bottom of the hour. An average of 48 minutes of news per day was monitored during the period under review. The following are some of the news stories identified:

- "SABC strikes back at Jackson Mthembu saying it was concerned about some of the things he said. SABC spokesperson Kaizer Kganyago said they are particularly concerned that some of the utterances he has made are misleading as at no point did the SABC say the decision not to broadcast the destruction of public property is a policy position. According to him the decision was an editorial one and not a changing policy, Kganyago said the Broadcasting Complaints Commission of South Africa played a role in the decision, specifically the BCCSA's clause regarding violence and hate speech";
- *"Treasury's Director General Lungisa Fuzile says the economy is not growing fast enough to create jobs but growth is unlikely to be stimulated by adjusting the macro-economic policy"; and*
- *President Robert Mugabe has ordered citizens to go about their normal business as tensions rose ahead of calls for national shut down in Zimbabwe.*

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

Clause 7.2 of Classic FM'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.

Other sources include expert and analysts and commentators Petro from Herenia Capital, expert from the Trade and Industry, etc, Reuters and British Broadcasting Corporation (BBC).

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

Clause 7.3 of Classic FM's schedule to the licence stipulates that:

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

Classic Business is a weekday programme that looks at business news making headlines and interviews with the leaders from different industries and government. Classic Business is broadcast between 17h30 – 19h00 Mondays to Thursdays and discusses in detail economic and political news. It is also a roundtable discussion with the Classic Business Panel. Classic Business brings you closer to the business stories shaping the markets and driving investment decisions daily.

From Monday to Friday at 17h30, Classic Business brings wall-to-wall business with in-depth interviews, 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. The panel debates the big issues of the day including information from institutions such as the National Treasury, the Department of Trade and Industry. Classic Business on Friday ends the week with a half-hour round up of the week's biggest business stories.

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

### **3.6 Training and Skills Development Obligations**

Clause 8.1 of Classic FM's schedule to the licence stipulates that:

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

Classic FM submits that internal staff training is conducted on a regular basis covering all aspects of the business including presentation skills, sales techniques and news preparation.

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

Clause 8.2 of Classic FM'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."*

The submitted report indicates that for the period under review Classic FM has offered some of its interns not only short-term employment but extended three



positions to full time employment. However only two accepted the offer. Below are details of opportunities provided.

- Mr Asanda Nkunkuma was employed as an intern in the production department as a sound engineer and was offered a **permanent position in January 2017;**
- Ms Dorcas Nobela was employed as an intern in the sales administrative department; and
- Ms Charis Botha was employed as an intern in the programming department and since accepted an offer of **permanent employment as a junior producer.**

The Licensee also hosted a number of senior high school students to job shadow presenters. A compulsory practical training of 120 hours for media studies students from Rosebank college was provided during the period under review.

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

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

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

For the period under review Classic FM offered regular in-house/internal presentation training to various community radio stations including Radio Today, Alex FM and Kofifi FM.

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

### **3.7 Community-related obligations**

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

*"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 102.7 (Pty) Ltd and that the specific objective of the trust meets the aim as envisaged

by the licence conditions. The Trust has a much more broad based black economic representation.

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

Clause 9.2 of Classic FM's schedule to the licence stipulates that:

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

As already stated under clause 8.3 above, Classic FM provided presenter training to more than 3 community radio stations for the period under review.

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

#### **4. REGULATIONS**

##### **4.1 South African Music Content Regulations**

Regulation 3.2 of the Regulations on South African Music Content 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".*

Classic FM plays a significant amount of South African music daily. "Classic SA" is a programme broadcast from 10h00 until 14h00 on Sundays. The programme plays South African classic music. More of South African music was identified during the "Classic Voices", a choral music programme broadcast on Sundays between 07h00 and 10h00. The local artists played by the radio station include among others: "Anneke De Villiers", "The Cape Town Tango Ensemble", "Isak Roux", Pumeza Matshikiza amongst others.

From the recordings monitored, it was established that Classic FM plays an average of 30% South African music content.

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

#### **4.2 Regulations regarding Standard Terms and Conditions for individual broadcasting licences**

During the period under review, the Authority did not identify any non-compliance by Classic FM with the standard terms and conditions for individual licences.

#### **4.3 Regulations in respect of the Prescribed Annual Contributions of Licensees to the Universal Service and Access Fund**

Regulation 3 of the USAF Regulations stipulates that:

- (1) *"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.*
- (2) *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".*

Classic FM contributed of R33 733.85 for 2015/16 equivalent to 0.2% of its annual turnover to the USAF.

**The Licensee was found to be in compliance clause 3 of the USAF Regulations.**

#### **4.4 General Licence Fees Regulations**

The General Licence Fees Regulations came into operation on the date of publication, being 1 April 2013.

Regulation 3 (1) of the regulations stipulates that:

*"The annual Licence fees prescribed in these regulations and as set out in Schedule 2 apply to holders of Individual and Class ECS licences, Individual and Class ECNS licences and Individual Commercial BS licences".*

Regulation 3 of the regulations stipulates that:

- (1) *"Where a legal entity holds any combination of a BS Licence, ECS Licence and or/or ECNS Licence, such entity may calculate the licence fee based on the firm's gross profit based on the audited annual financial statements of that firm.*
- (2) *Unless expressly authorized by the Authority, all payments in respect of licence fees are due annually.*
- (3) *Payments may be effected quarterly where the licensee has applied to the Authority and such authorization has been granted in writing".*

Schedule 3 (4) (b) (c) stipulates 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".*

Classic FM paid an amount of R 62 453. 46 towards licence fees to the Authority.

**The Licensee was found not to be in compliance with the above requirements.**

## **5. CONCLUSION**

The Licensee was on the brink of being referred to the Complaints and Compliance Committee (CCC) for non-compliance with certain clauses of its licence conditions, prior to the amendment of clause 6.1-6.4 and 9.3 of its licence. The application for amendment which was approved in 2016 has seen the Licensee fully comply with its licence obligations and these strides have not gone unnoticed.

## **6. TERMS OF REFERENCE**

### **6.1 Appendix A: Classic FM's broadcasting service and spectrum licences**