



Chrysalis Radio

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The Rt Hon Chris Smith MP
Secretary of State for Culture Media & Sport
Department of Culture Media & Sport
2-4 Cockspur Street
London SW1Y 5DH

Dear Chris

I am writing to you in connection with the formal review you are undertaking into the BBC's proposal to expand its digital radio offerings. I will declare two interests at this point. Firstly as the Chief executive of Chrysalis Radio, and secondly as the Chairman of MXR, a consortium bidding for regional digital licences. My particular concern in both instances is with the channel being proposed called Network X – on which it is proposed to feature black music. I would strongly argue that the BBC should be asked to reconsider its approach to this channel.

As you know, Chrysalis Radio is the UK's 4th largest radio group, and operates under two distinct brands, Heart and Galaxy. Galaxy covers some 13 million potential listeners on FM, in most of the major English/Welsh markets outside of London (Bristol/Cardiff, Birmingham, Manchester, Yorkshire, North East). Galaxy is aimed at 15-29 year olds primarily, and plays a mix of "dance, urban and rhythmic music" (format definition) of appeal to that audience. The network also hosts a number of specialist R&B/Garage shows, along with other genres of black music.

Our Birmingham station, Galaxy 102.2, has an even more specific remit within its format to appeal to the African-Caribbean community in that city, alongside young fans of black music. Galaxy 102.2's weekly reach amongst all African-Caribbean's has been running at close to 60% for almost two years, since our acquisition of the station and subsequent investment in programming and marketing. Amongst those African-Caribbean's under 35, this figure rises to over 70%. Our other Galaxy stations also have weekly reaches amongst the African-Caribbean populations in their areas running at 31%, although outside of Birmingham the absolute numbers are much smaller in relation to the overall size of the Galaxy audience.

Heart - Galaxy

The Galaxy network's weekly reach now numbers 2.4 million. In total, our acquisition and development costs in building the Galaxy network amount to in excess of £35m since 1995.

We are continuing to invest in the future, particularly in digital. Whether as "tenants" on other multiplexes, or by winning ourselves, we hope that our five Galaxy stations will secure digital carriage during the course of 2001 – we expect carriage costs alone for these five stations to be of the order of £500,000 per annum! We are also hopeful of bringing Galaxy to London, as part of our bid for the 3rd London digital multiplex, which will be awarded in 2001. We are planning a brand new service for the capital, and programming and marketing costs for this are likely to exceed £300,000 per annum. In total, we expect to be investing up to £1m per annum in the transition of the Galaxy network from analogue to digital over the next few years.

Our digital ambitions extend beyond simply securing the carriage of our existing analogue services – we are leading a consortium (MXR), which is currently bidding to secure the five English/Welsh regional digital licences (North East, South Wales/Severn Estuary, West Midlands, North West, Yorkshire) along with the third London licence referred to earlier. In four of the five regions (excluding the West Midlands, because of Galaxy 102.2's specific African-Caribbean appeal and more distinctive urban music focus) we have invited Soul Media, the owners of Choice FM in London, to participate by producing a new service, "Urban Flava", to concentrate specifically on black music (ignoring more mainstream genres such as dance etc). Soul Media will also be participating in our London bid, with their highly successful Choice FM service. For a small company like Soul Media to participate in this fashion in digital radio is clearly a high risk strategy – but they believe that there is a dedicated base of fans for black music in the UK who will support "Urban Flava" as digital radio develops, and our research supports this view. I am delighted to confirm that the Radio Authority has already awarded the MXR consortium the licence for the North East region, so Urban Flava will become a digital reality in 2001.

Should we be successful in our other bids, the combination of "Urban Flava" in 4 regions, Galaxy 102.2 in the West Midlands and Choice FM in London will provide a digital network of stations specifically covering black music, and appealing to black audiences, which covers almost 30m adults in most of the major English and Welsh cities – with potential for further network expansion in due course, as the Radio Authority roll out digital licences. When the rest of the Galaxy-network is also added in, along with Kiss in both London and the many local multiplexes on which it has already secured carriage (though I hold no brief to speak for EMAP on this matter) the combination of commercial stations covering the dance and R&B genres could not be bettered.

It is worth pointing out that the total black population of the UK is around 745,000, of whom 562,000 (75%) live in either London or the West Midlands. Amongst under 35s, this concentration is even more noticeable – of the total UK population of 368,000, some 298,000 (81%) live in London or the West Midlands. According to the latest rajar figures, the combination of Kiss 100 and Choice FM in London, along with Galaxy 102.2 in Birmingham, already reach 47% of these listeners.

Given commercial radio's existing success with this music genre, and its target audience, along with the potential for more digital commercial services providing competition in this area, you can understand, I hope, my frustration at the potentially damaging effect on digital audiences that a BBC funded black music competitor might create, particularly in the early years for digital radio when all listening to digital will be comparatively small in size.

You will have recently received a letter from Patrick Berry at Soul Media, outlining his concerns, which as chairman of the MXR consortium I fully support. If commercial enterprise is prepared to take this risk, in proposing and establishing a network of black music stations, serving most of the UK, and with the opportunity for locally relevant news and information, there surely doesn't exist a market failure – and therefore on this specific channel the BBC should be asked to reconsider. I particularly appreciated Patrick's argument that the Asian network proposed by the BBC is predominantly speech, yet the black network is predominantly music. As I hope I have demonstrated earlier, commercial interests can cater for music, and the BBC's great strength has always been in speech based radio – a more speech oriented black interest channel would clearly satisfy all parties.

Of course the commercial sector has welcomed the BBC's commitment to digital radio with its announcement of five new channels, and we have no wish to appear churlish, but it would be short sighted of those commercial companies specifically operating in this sector of the market, and risking significant development monies on digital radio, if we did not raise our significant concerns over this specific BBC proposal at this stage, before the die is cast.

I would be more than happy to provide any further information you require on this matter.

Yours sincerely



PHIL RILEY
Chief Executive

cc. Richard Hooper, The Radio Authority
Paul Brown, CRCA
Patrick Berry, Choice FM
Tim Schoonmaker, Emap



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27 June 2001

Ms Vanessa Brand
Head, Public Service Broadcasting
Department for Culture, Media and Sport
2-4 Cockspur Street
London
SW1Y 5DH

Dear Ms Brand

PROPOSED NEW BBC DIGITAL SERVICES

Further to Andrew Ramsay's letter of 7 June, I am grateful for the opportunity to comment further on the BBC's proposed new digital programme services, and the Corporation's recent document elaborating on those proposals. I am writing not just on behalf of Chrysalis Radio, but also in my capacity as chairman of the MXR digital radio consortium which includes, as both shareholder and programme provider, Soul Media Ltd, the owner of the Choice FM stations in London. I have written to you separately on an unrelated issue with regard to the carriage of the BBC's Asian Network on digital radio.

As you will know from my previous correspondence on this subject, I have grave concerns about the extent to which the BBC's digital radio proposals already duplicate services being provided on digital radio by commercial broadcasters. Whilst I recognise that there is an argument that the BBC should offer something for every licence fee payer, I also believe that public service broadcasting should prioritise those sectors of the population where there is evidence of either a failure or unwillingness on the part of private broadcasters to provide a service. The BBC's proposals clearly do not follow this principle and I am disturbed by the arrogance of the Corporation in its dismissal of the concerns raised about its plans.

My concerns have centred primarily on the proposed 'Network X' service of black music for young listeners. It is worth highlighting the fact, in the first instance, that the BBC is not proposing a service specifically for young black listeners, but for all young fans of black music. This would seem immediately to invalidate many of the arguments raised in the BBC's latest submission to the Secretary of State, which berate commercial operators for failing adequately to focus on a core target of young black people. Clearly, from the BBC's own statements, it has no such focus either! Nonetheless, it has concentrated its research on this particular demographic, and it is worth looking at the existing availability of radio services for this audience.

Heart - Galaxy

In its most recent submission to DCMS, the BBC has failed to address the core argument that young black listeners are already well served, on both analogue and digital radio, by a range of commercial radio services. In my letter to the Secretary of State of 22 March, I enclosed coverage maps for digital radio which clearly showed the significant range of choice of stations providing substantial amounts of black music on commercial multiplexes, including almost network-wide coverage provided by the combination of Kiss, Galaxy, Ministry of Sound, Choice and Urban Choice. Chrysalis Radio already operates a service, Galaxy 102.2, with a specific remit to cater for young black listeners in Birmingham, and this service is available on digital radio across the whole of the West Midlands. Moreover, Choice FM, the UK's leading black radio station, and the only black-owned commercial radio operator, will be operating a new black music station, called Urban Choice, on regional digital multiplexes covering the North East, the North West and South Wales/Severn Estuary, as well as simulcasting its existing London service on digital across the capital. The combination of Galaxy 102.2 in the West Midlands, Urban Choice in the other MXR regions, and now the simulcast of the original Choice analogue service planned across London by the licensee for the third multiplex for the capital, provides a network of commercial, genuinely black music-focused radio services with a clear, significant appeal amongst young black listeners.

The success of these services in appealing to young black listeners is evident from the official RAJAR figures in the areas they serve. Galaxy 102.2 has a weekly reach of 67% amongst black listeners aged 15-24 in Birmingham. Choice in London reaches 62.5% of the equivalent audience in the considerably more competitive radio marketplace in the capital. Even the BBC's own research, in its original submission to the Secretary of State in January, showed that, amongst black listeners aged 15-24, Choice achieves a 51% reach, with Galaxy in Yorkshire and the Severn Estuary boasting reach figures of 55% and 64% respectively (despite the fact that neither of these Galaxy stations has the specific remit to cater for African-Caribbean listening tastes that Galaxy in Birmingham has). The BBC's submission almost denigrates Galaxy for being mainstream and populist but their own research, as well as the independent data from RAJAR, clearly refute this argument.

In claiming that these stations have alienated black listeners by appealing to a broader, more 'mainstream' audience, the BBC has ignored both the weight of this research and its own programme proposals for Network X, and entirely missed the point about the widespread appeal of 'black music'. The fact that stations such as Choice and Galaxy attract many listeners who are not black is a testament to the appeal of 'Music of Black Origin' to a wide range of young listeners, whatever their ethnic origin. Network X would similarly find a broad listenership amongst young black, white and Asian listeners, and it is clear from its own description of the proposed service that this is the Corporation's intention.

It is hardly surprising that the BBC's research, conducted solely amongst black listeners aged 15-24, should show that a service playing black music for young listeners would be welcomed by them. What is gravely worrying about the Network X proposal is the missed opportunity to provide a service for an audience genuinely unserved by commercial radio, namely older

black listeners. In persisting in its efforts to cannibalise from the audiences of its commercial rivals, the BBC is ensuring the continued failure of all radio to provide for African-Caribbean listeners over 30. Here is a sector of the population entirely disenfranchised by the media, with not a single radio station, on analogue or digital, even claiming to cater for them. Even if one believes the BBC's argument that stations such as Choice and Galaxy fail to cater *adequately* for young black listeners, it cannot deny that radio fails to cater for older black listeners *at all*.

The opportunity, and I believe the obligation, exists for the BBC to address this obvious public service vacuum. This is an opportunity for genuinely innovative radio – offering a service that incorporates elements such as African and Caribbean culture and heritage, history, poetry, and visual arts along with traditional music, all of appeal to the older black listener. I can think of no greater need in British radio today, and no better broadcaster than the BBC to meet this need. Whereas Network X is a deliberate attempt to steal listeners from commercial radio – essentially nothing more than a 'black Radio 1' – a station of appeal to older black listeners would find a ready audience not loyal to any other station.

Finally, I note that, in an attempt to define itself distinctively, the BBC's proposals include a promise not to play pop, dance, house or techno; to be dominated by new music and concentrate on British artists; not to play mainstream top 40 music; and to achieve 20% speech levels including documentaries and social action programmes. Were a commercial company to propose that degree of detail in a licence application document, it would be enshrined by the Radio Authority in a 'format', forming part of the licence document itself and securing the character of the service for the full eight-year licence period. At present there is no equivalent mechanism to commit the BBC to maintaining these elements of its service once it had launched, and we have seen in the past how willing the BBC is to transform its radio services to keep the competitive edge against its commercial rivals. I hope that, whatever the outcome of this consultation exercise, the Secretary of State will take steps to enshrine any promises now being made by the BBC into firm, non-negotiable broadcast commitments to prevent the BBC from tailoring its new digital services in the future to suit commercial whims, rather than pursuing its legitimate public service objectives.

May I consequently urge the Secretary of State to ask the BBC to reconsider its plans for Network X, and encourage it to produce a genuinely different, and welcome, addition to digital radio in the UK.

Yours sincerely



PHIL RILEY
Chief Executive

Copy: Tony Stoller
David Vick