

**Productivity Commission
Broadcasting Inquiry**

**Submission by the
Australian Association of Independent
Regional Radio Broadcasters (IRB)**

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Contact

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1. Introduction

1.1 The Australian Association of Independent Regional Radio Broadcasters (IRB) is an unincorporated association of licensees of 69 commercial radio broadcasting stations located outside the mainland State capitals. Membership is limited to licensees who own or control regional stations and who do not own or control television stations or newspapers as defined in the Broadcasting Services Act 1992. A list of members and the markets in which their stations are located is provided at Appendix A (page 12).

1.2 Although IRB members are also members of the Federation of Australian Radio Broadcasters (FARB) they recognise that from time to time FARB may not be able to adopt a position on certain issues because of conflicting interests within the commercial radio industry. An example of this is the issue of cross-media ownership.

1.3 In general terms, IRB members support FARB's submission to this inquiry. IRB's submission is therefore confined to matters not dealt with by FARB, or supplements FARB's comments.

1.4 In IRB's view, generalisations about broadcasting, and particularly commercial broadcasting, can be misleading and should be avoided. At many levels there are profound differences between radio and television, between metropolitan and regional broadcasting and even between large regional markets as opposed to medium and small regional markets.

1.5 In the regional sphere, the most pronounced difference between commercial television and commercial radio, for example, is geographical coverage. One aggregated television licence area will embrace many commercial radio licence areas. Likewise, the coverage provided by both

the radio and television stations of the Australian Broadcasting Corporation (ABC) is almost invariably far greater than that provided by regional commercial radio stations. As a consequence, both commercial television and ABC radio and television are oriented more to the service of regions rather than the strictly local service provided by commercial radio.

1.6 A characteristic of the medium and small markets in which the majority of IRB members' stations are located is that there is usually a limited choice of all forms of local media compared with large provincial and metropolitan markets. This is simply a matter of economic reality.

1.7 Because regional commercial radio stations commit a substantial proportion of their resources to local news, sports, activities, advertising and to the employment of local talent, and because they broadcast in most cases continuously, they are naturally regarded as a primary source of information concerning matters of local significance.

1.8 They also invariably become the focal point of the community in times of emergency, such as bushfires and floods, for vital information and advice. Such services are not available from other media to the same degree or with the same sense of immediacy or involvement.

1.9 As a consequence, regional commercial radio stations make a crucial contribution to localism and help maintain a strong sense of community. The relationship between stations and their listeners is almost personal. This is reflected in the common practice of station personnel participating in community affairs on a purely voluntary basis.

1.10 At the same time, IRB emphasises that the maintenance of localism involves substantial costs and is dependent on the financial viability of the broadcaster.

1.11 The role of the regional commercial broadcaster as a focus for localism is unique, in that no other media are capable of it to the same degree.

1.12 Some suggestions have been made that community radio stations could fill the role, but such ideas are ill-founded. To point out this misconception is not to denigrate community radio, but to delineate its true function. The “community” label was adopted as recently as 1992 with the passage of the present Act, presumably to avoid the equally ambiguous former label of “public broadcasting”.

1.13 In fact, so-called “community” broadcasting in the Australian broadcasting system would be better described as “special interest” broadcasting. Almost without exception community stations are not intended to and do not attempt to serve the wider community.

2 Issues

2.1 Changing nature of broadcasting

2.1.1 The most significant developments in regional radio in recent years have been:

- (a) the aggregation of television in regional markets
- (b) the proliferation of national, community and narrowcast radio services
- (c) the creation of “Section 39” licences (second licences granted

- to existing solus licensees)
- (d) the removal of restrictions on foreign ownership and control
- (e) the removal of restrictions on the number of licences a person may own or control within a State or nationally.
- (f) the “downgrading” of many regional areas by both the public and private sectors.
- (g) the introduction of pay television

2.1.2 The aggregation of television generally resulted in three commercial services where previously there had been one, and although the services provided by the aggregated television licensees is regional rather than local, the television companies have managed to compete against commercial radio for local advertising through local “windows” in their transmissions. Because they have a large inventory of available time for such advertisements, they frequently offer local advertisements at lower rates than commercial radio can afford to charge.

2.1.3 The introduction of additional national services and of S.39 licences has certainly increased the diversity of services which are available to regional audiences. It has also increased the competition for both listeners and advertisers, although generally speaking the commercial radio sector remains the dominant listening medium.

2.1.4 Changes to ownership and control provisions have resulted in some very large aggregations of stations and a significant reduction in the number of regional broadcasting entities. The potential effects of this are discussed below.

2.1.5 Downgrading of many regional centres is evidenced by such events as the amalgamation of power authorities and the closure of bank branches, abattoirs, manufacturing enterprises and government offices.

In a relative sense these, as well as events such as the Thredbo disaster or the completion of a highway which by-passes a town, have a profound impact on regional markets, and on the stations which serve them, whereas they would produce little or no economic consequences in a metropolis like Sydney.

2.2 The public interest and the objectives of broadcasting policy

2.2.1 While few would take issue with the objectives set out in the Broadcasting Services Act (the Act) IRB questions whether there is a serious need for some of them to be translated into regulatory form. For example, IRB disputes whether its members need to be “encouraged” to provide a fair and accurate coverage of matters of national and local significance, to respect community standards or to place a high priority on the protection of children from exposure to program material which may be harmful to them.

2.2.2 On the other hand, IRB recognises that there are tensions between the desire to contain costs and the obligation to provide a good service – particularly a good local service. For example, the networking of programs through a group of stations can produce significant savings, but only at the expense of localism.

2.2.3 Assuming localism is worth preserving (as IRB asserts it is) it follows that a degree of intervention may be necessary, firstly to prevent practices which are unsympathetic to localism, and secondly to avoid creating a situation where the maintenance of localism becomes economically impossible.

2.3 The economics of broadcasting

2.3.1 Like other free-to-air broadcasters, regional commercial radio broadcasters essentially operate in two markets – the market for consumers (listeners) and the market for advertising.

2.3.2 Surveys over several years have shown that the average quarter hour audience to regional commercial radio constitutes more than 50 per cent of all radio listening. This is approximately three times that of the ABC's "local" stations and approximately 13 times that of community stations. Approximately 70 per cent of all people in regional markets listen to commercial radio every week.

2.3.3 As in metropolitan and larger provincial markets, radio's highest listening periods are in the mornings and lowest at night, when television dominates.

2.3.4 While surveys play a very important role in the sales of radio time in metropolitan markets, they are less important in regional markets, where local advertisers are more inclined to base their buying decisions on service, price, affordability and past experience rather than on "numbers".

2.3.5 The main revenue source of regional commercial radio broadcasters is local advertising; the proportion of national advertising on regional stations is substantially lower than that of their metropolitan and major provincial market counterparts.

2.3.6 Regional commercial radio stations compete for the local advertising dollar against all other media, which include television,

newspapers, direct mail, cinema, outdoor and, in some markets, community broadcasters and narrowcasters.

2.3.7 While the relative position of these media does not appear to have changed dramatically over a period of some years, all regional media are very susceptible to fluctuations in the national economy and particularly the rural economy. Furthermore, regional radio licences are anything but the legendary “licence to print money”. Of the 176 regional stations operating in 1997-98, 27 per cent were in loss.

2.3.8 The granting of S.39 licences – which basically recognised that competition was not feasible in most regional markets and that additional commercial services could not be provided by other means – has benefited listeners in that it has provided more diversity and choice, but it has been of no real benefit to the broadcasters. Most regional broadcasters report that little additional revenue has been generated by their S. 39 licences, but there have been substantial increases in operating and capital costs.

2.3.9 IRB’s strong view is that additional competition in regional radio markets is not a feasible option for improving the lot of regional communities. While it is possible that a network of stations could be set up to cover a great number of regions at less cost than “traditional” local stations, this would be at the expense of the local stations, which would have little option but to also abandon localism and to set up a similar networking system. The real losers would be the consumers.

2.4 Australia’s current broadcasting legislation

2.4.1 IRB's principal area of concern under this heading is the issue of cross-media ownership. In brief, IRB is opposed to relaxing the present cross-media ownership restrictions in regional areas.

2.4.2 A major difference between regional and metropolitan markets is that metropolitan markets enjoy an abundance of "main" media. In Sydney, for example, consumers have a choice – apart from national and community broadcasters – of three daily newspapers, four commercial television stations and nine commercial radio stations. With such diversity, it can be reasonably be argued that there is little prospect of any combination of media through which community views could be "shaped" by one person or corporation.

2.4.3 In regional markets, however, there is very much less choice, particularly in relation to the coverage of matters of local interest and concern. In the great majority of such markets there is only one commercial radio licensee and one local newspaper. While almost all of these markets also receive three commercial television services such services normally cover several radio licence areas and in general do not deliver the same degree of "localism".

2.4.4 In contrast to the situation in metropolitan markets, a person or corporation in control of any two or all three of the main media in a regional market would be in a very strong position to influence public opinion in that market. This would be not only a matter of local concern but could also have serious implications at State and Federal levels, particularly during election campaigns.

2.4.5 A further justification for retaining diversity of control in regional markets is that it helps to maintain competition between the media for advertising revenue. This benefits advertisers and ultimately consumers.

2.4.6 A media proprietor allowed to control any two of the three main media (TV, print, radio) in a regional market would be able to exploit the synergies of those two media unfairly to the disadvantage of the third. If it were allowed to control all three, it would be able to exploit its position to the disadvantage of advertisers and consumers.

2.4.7 IRB disagrees with the proposition that cross-media issues in regional areas should be dealt with under trade practices legislation.

2.4.8 The merits of retaining specific limits in the broadcasting legislation are firstly, that all uncertainty is removed and secondly, that it obviates the costs to potential buyers or sellers in having to appear before the Australian Consumer and Competition Commission and in appeals against ACCC decisions. While the costs of litigation may not be great in metropolitan media terms, they would be prohibitive when applied to small regional media.

2.4.9 The introduction of digital radio broadcasting (DRB) will also impact heavily on regional radio broadcasters. It will involve significant additional capital and operating costs with no prospect of a return for many years. DRB will have nothing to offer advertisers until such time as it has a worthwhile audience, and even when it has been generally adopted by the community, the total audience will still be the same. In the face of this, IRB members generally agree that no additional commercial stations should be introduced into their markets until the effects of DRB can be assessed.

2.5 The role of the Australian Broadcasting Authority

2.5.1 The principal issue which IRB wishes to raise under this section is the apparent problem of dealing expeditiously with open narrowcast licensees which infringe the legislation by providing commercial radio broadcasting services.

2.5.2 The Broadcasting Services Act defines open narrowcast services *inter alia* as broadcasting services whose reception is limited by:

- (i) by being targeted to special interest groups; or
- (ii) by being intended only for limited locations, for example arenas or business premises; or
- (iii) by being provided for a limited period to cover a special event; or
- (iv) because they provide programs of limited appeal; or
- (v) for some other reason.

2.5.2 However there have been several instances of services licensed as “open narrowcast” which have not complied with the above definition but have matched the criteria for commercial broadcasting services. It is an offence under the Act to provide a commercial radio broadcasting service without a licence. The prescribed penalty for doing so is \$200,000.

2.5.3 In IRB’s experience, the two main features of this illegal activity by open narrowcast licensees have been overtly popular commercial-style programming clearly aimed at the general public, and the offer of advertising to advertisers at exceedingly low rates, well below normal radio advertising rates.

2.5.4 The effects of this on legitimate commercial radio broadcasters are damaging to say the least. On the one hand they provide outright competition for the mainstream audience. On the other they degrade the

value of advertising and tend to undermine the relationship between the legitimate commercial broadcaster and its clients.

2.5.5 It is therefore a matter of major concern to IRB members that the ABA seems powerless to put a stop promptly to illegal activities by narrowcasters.

2.5.6 In the most recent instance, it has taken the ABA eight months to conclude that the narrowcaster concerned was in breach of the Act.

2.5.7 Assuming the ABA has taken all reasonable steps to pursue this matter since the original complaint was lodged, it would appear that the Act is seriously deficient. When the penalty for infringement is \$200,000 for each day a breach continues, the seriousness of a breach is beyond argument. However, if according to the law infringements can continue for up to eight months without some positive results, then “the law is an ass”.

Appendix “A”

IRB members, stations and markets served

Ace Radio Broadcasters Pty Ltd	3CCS, 3CS (Colac), 3WM, 3WWM (Horsham), 3HA (Hamilton), 3TR (Sale), 3YB (Warrnambool), 3SH, 3SHI(Swan Hill).
Bathurst Broadcasters Pty Ltd	2BS, 2BXS (Bathurst)
Bundaberg Broadcasters Pty Ltd	4BU, 4RUM (Bundaberg)
Capital Radio Network	2CA, 2CC (Canberra), 2SKI, 2XL (Cooma), 2GN, 2SNO (Goulburn)
Commercial Broadcasters Pty Ltd	7HHO (Hobart)
Geraldton FM Pty Ltd	6BAY, 6GGG (Geraldton)
Grant Broadcasters Pty Ltd	2NM, 2VLY (Muswellbrook), 2UUL (Wollongong), 2EC, 2EEE (Bega), 2ST, 2WSK (Nowra) 3BBA, 3RBA (Ballarat), 3BAY, 3CAT (Geelong)
Ipswich & West Moreton Broadcasting Pty Ltd	4QFM (Ipswich)
Mid West Radio Pty Ltd	2LT, 2ICE (Lithgow)
North East Broadcasters Ltd	3NE, 3NNN (Wangaratta)
North West Radio Network	5MU (Murray Bridge), 6KA (Karratha), 6NW, 6HED (Port Hedland), 6FMS, 6SAT (Remote WA)

R G Capital

**2CFM, 2GGO (Gosford), 2BDR
(Albury), 4MB (Maryborough), 4SEE,
4SSS (Nambour), 4RO
(Rockhampton), 4GR (Toowoomba),
4GLD, 4SEA (Gold Coast), 7AD,
7DDD (Devonport), 7BU (Burnie),
7LA (Launceston), 7SD (Scottsdale)**

Rich Rivers Radio Pty Ltd

2MOR, 2QN (Deniliquin_

West Coast Radio Pty Ltd

6MM, 6CST (Mandurah)

Westlawn Investment Co Ltd

2GF, 2CLR (Grafton)