



**SUBMISSION TO THE PRODUCTIVITY COMMISSION - REVIEW OF
BROADCASTING REGULATION**

As noted in our submission of December 10, 1999 ARIA notes the inertia which appears to exist in Australia with respect to the implementation of digital radio services. This inertia when coupled with the highly restrictive approach of the Australian Broadcasting Authority to the granting of new Commercial FM licenses in Sydney (as raised in our previous submission) paints a picture that the radio industry lacks vibrance and innovation. The radio industry should be at the forefront of the digital future and not simply a passive spectator and accordingly it may be incumbent on the Commission to investigate, i.e. analyse this factor in this inquiry.

ARIA's stance on this issue reflects its view that the Broadcasting Services Act has not delivered on providing a broader range of services in the major population centres of Australia since its enactment in 1992 and using the Sydney model, the provision of additional commercial services in the other capital cities is not likely to promote more services.

ARIA's stance is also founded on the fact that recorded music is the core element of the vast majority of radio programming in Australia. The submission from Austereo Pty Ltd to the Inquiry (175) highlighted the features of digital radio in particular, better reception, higher quality sound (and ancillary services such as song titles, artists name and record label). Digital radio will provide an enhanced medium for Australian consumers for access to recorded music.

The reality is that digital radio will allow the recording artist to be heard by the public at the same quality as those performances embedded in a CD. Accordingly there is a public interest element in digital radio being progressed in a rapid manner, since digital television will also provide CD quality audio, when it begins transmission in twelve months time.

The issue is also highlighted by the material which has been put to the Commission by the commercial radio industry through its industry body, the Federation of Australian Radio Broadcasters (FARB)(83) and the submissions from Austereo Pty Ltd and DMG Radio (26/172/DR186).

As a threshold issue we have DMG Radio attacking the preliminary views of the Australian Broadcasting Authority in respect to the granting of additional FM licences in Sydney. DMG's arguments indicate that up to four new FM services could be supported and they also demonstrate the lack of diversity in commercial radio services in Sydney. They paint a scenario of a closed shop, locking out a major commercial operator wanting to expand its business by providing new music stations in the largest radio market in Australia. We would generally agree with this view. It is easy to foresee new stations, if allowed, taking on a format aimed at 14-23 age group which is largely ignored by present broadcasters.

Austereo Pty Ltd has also sought assistance from the Commission to deal at some length with digital radio issues. Its submission highlights the background of the various reports which have investigated digital radio in Australia.

In 1995 the Government established the Digital Radio Advisory Committee which reported in 1997 and made significant recommendations as to how digital radio should be implemented.

The submission from FARB notes that following this report the Minister for Communications, Information Technology & The Arts, Senator Richard Alston, established a Planning and Steering Committee, chaired by his Department to develop a comprehensive framework to enable digital radio services to commence transmission in Australia in 2001. FARB also notes that the spectrum planning work for digital radio is nearing completion and that it supports the concept of the necessary legislative program being completed by mid-2000 to ensure the development phase of digital radio can commence in 2001.

A significant part of the FARB submission to this Inquiry is that the commercial radio industry is seeking a six year development phase for digital services with no new commercial services being planned during that time, founded on the premise among other things that lengthy simulcasting will be required to provide a seamless transition of all services to digital. This concept is also taken up by Austereo Pty Ltd who take the view that for a period as long as ten years or more, new commercial services should not be allowed to enter the various markets. Austereo Pty Ltd also takes the view that it would be grossly unfair to allow new commercial operators into the industry between the commencement and end of simulcasting, if those operators were not also required to broadcast in both analog and digital mode. As FARB has also indicated that the simulcasting period could be at least fifteen years or more and with the low probability of new analog licences being issued, it is likely that there will not be any new competition in the Industry for a significant period of time.

It may well be that all radio broadcasters will require assistance in moving towards digital but ARIA queries how far that assistance should extend beyond what the Minister for Communications, Information Technology & The Arts, Senator Richard Alston indicated in his address to the Annual Convention of FARB on 19 September 1997, ie: that incumbent broadcasters would be offered the opportunity to move to digital, and there would be opportunities for new entrants as well. (This is covered in a summary on digital radio on the DCITA Homepage - What is Digital Radio - www.dcita.gov.au).

In view of the limited opportunities being provided for new entrants to radio at the present time it would be appropriate to explore how those groups could be allowed access to digital radio from day one. It would seem logical that all broadcasters would benefit from as many drivers as possible to advance the digital radio cause and hopefully achieve the original objects of the Broadcasting Services Act. Like Digital Television the uptake of digital radio by consumers will depend upon the availability and price of new receivers as highlighted in the DRAC Report and the Austereo Pty Ltd submission. ARIA queries whether an extensive simulcast period of existing services without a pull through of some

new services (which could be provided by existing operators as well) will be enough to push the digital radio barrow.

The commercial radio industry through the FARB submission clearly acknowledges the threats to its market position particularly from the Internet. However this threat is also an opportunity which radio stations are exploiting by streaming their broadcasts and allowing users to sample on-air programming and providing feedback, etc. The Internet thrives on innovation. Why is the same degree of innovation not being shown in driving digital radio in Australia? Presently a number of commercial broadcasters are streaming a range of radio channels on the internet as well as simulcasting. This indicates some of the formats that new FM or digital radio entrants would be supplying.

The Australian situation may be contrasted with that existing in the United Kingdom where the BBC has been providing digital services for some years with over sixty per cent of the country covered by the transmission network. The BBC simulcasts its five national services plus extra live sports coverage. Additional new channels are expected to be launched this year.

On November 15, 1999 the national commercial operator, Digital One launched its network which will provide a total of ten services of which seven will be new services. The other three will be simulcasts of the existing national commercial services. Of interest is the fact that Digital One is owned by Britain's largest commercial radio group GWR(63%) and the complete communications company NTL(37%) which company also owns the national transmission network in Australia. The Commission is referred to the following websites to gain an understanding of the approach being taken in the UK and to demonstrate how Australia appears to be slipping behind in the digital scene - UK Digital Radio Forum at www.dab.org and BBC Digital Radio at www.bbc.co.uk.

ARIA is not in a position to provide any major insights into why Australia is lagging behind in the move to digital radio. It would appear that significant work has been undertaken by a variety of groups, but through a lack of concerted action by all players, nothing tangible has been achieved.

In view of the fact that ARIA's concerns are also shared (but from a different perspective) by the radio industry it is appropriate for the Commission in its current investigation into broadcasting to highlight what are the impediments to implementing digital radio and whether the "window of opportunity" it offers can be opened for new and existing operators alike.

Should the Commission wish to discuss this matter further or raise any queries please feel free to contact ARIA.