

**RADIO 2SM
SYDNEY**

**PRODUCTIVITY
COMMISSION**

BROADCASTING SUBMISSION MAY 1999

PRODUCTIVITY COMMISSION BROADCASTING SUBMISSION

RADIO 2SM - SYDNEY

DIGITAL RADIO BROADCASTING POLICY

Radio 2SM endorses the Digital Radio Advisory Committee (DRAC) recommendations handed to the Federal Government in August 1977.

The recommendations included the automatic access of existing commercial and public broadcasters to the Eureka 147 digital radio spectrum by the year 2000.

Following the DRAC report a steering committee was formed to review technical issues and the necessary legislative requirements. This committee is currently reviewing the time frame of introduction. At present the committee will report by the end of 1999 or early in 2000. This is obviously behind the initial DRAC recommendations. As the Federal Government has already announced a digital television policy with a launch date of January 2001, Radio 2SM's view is that the current lack of a digital radio policy discriminates against the radio industry. The technical specifications of the Eureka 147 system have been evaluated by the relevant government departments over the past several years and any further delay will disadvantage radio as digital technology in other medium expand.

With digital radio broadcasting, there are efficiencies of scale with smaller less powerful and intrusive transmitter sites. This ensures a better environmental outcome for future digital transmission.

The initial cost of digital radio broadcasting to existing operators and the experimentation required for data casting and programme associated data will mean a large capital cost. Radio 2SM has a strong view that existing broadcasters should not be charged by government for entry into this new spectrum. In fact to encourage broadcasters to take up the digital option, tax concessions on plant and equipment, and receivers, should be introduced for the first 5 years of digital radio broadcasting.

As digital radio required new receivers, simulcasting on existing AM and FM frequencies must continue for a considerable period – up to 20 years, or when new receiver market saturation occurs.

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CURRENT COMPETITIVE DISADVANTAGES OF AM BROADCASTERS

The current Broadcasting Act is anti competitive in the current mix of AM and FM broadcasting licenses. The restriction of commercial FM licenses since the introduction of services in 1981 has seen a strong growth of listening and revenue to the FM band at the expense of the AM band.

In Sydney there are 4 FM broadcasters and five AM broadcasters. Seventy percent of the advertising revenue is now placed on the four FM stations leaving thirty percent between the five AM stations. The growth to FM has been so strong in the past 10 years that the future viability of AM stations will be restricted to talk and information formats. This means that AM stations will not be able to make the same competitive market decisions as FM stations. However there is no differentiation of costs between the AM and FM band or applicable government license fees.

Radio 2SM believes all commercial and ABC AM stations should be given the option to convert to FM ahead of any new FM licenses being issued under Stage 2 of the ABA radio planning process.

In most overseas countries the restriction of FM licenses has been lifted in the last 15 years to allow existing AM operators the opportunity to use the technically superior FM band.

The current policy in television terms means more than half the radio stations in Sydney, Melbourne and Brisbane are in black and white (AM) while a minority are enjoying colour. (FM).

While the digital radio policy remains unannounced and will be a long-term goal for the industry, the next 10 to 20 years will see the commercial destruction of AM stations because of inferior sound technology.

THE FUTURE EFFECT OF RADIATION FROM TRANSMITTER FACILITIES IN RESIDENTIAL AREAS

Existing high powered AM stations transmission sites were originally set up in the late 1920's and during the 1930's. Most sites were placed on large pockets of swampy land to aid radiation of the signal, in areas not close to residential suburbs.

Most of the metropolitan transmission sites are now close to residential areas and the associated environmental issues will become critical in the next 5 to 10 years. There will be mounting pressure to move sites – an example is the Homebush Olympic site in Sydney. Home of 6 AM transmission facilities, this is now becoming a desirable residential and recreational area. The pressure on broadcasters to relocate facilities will mount in the next decade. There are few (if any) available AM sites in Sydney, for instance, that would be suitable.

This is one other compelling reason for the introduction of digital radio broadcasting and the option for metropolitan AM stations to convert to FM transmission as soon as possible.

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CROSS MEDIA OWNERSHIP

Radio 2SM believes there should be no controls on cross media ownership between radio and television stations. However there should be controls on the level of foreign ownership of electronic broadcasting. At present there are no limits on overseas ownership of commercial radio. The possibility of total foreign ownership of the commercial broadcasting industry in Australia is a real threat to the cultural independence and diversity of views in this country. There should be a restriction on the level of foreign ownership in metropolitan markets to 50%, including new any new licenses.

LEVEL OF OWNERSHIP OF LICENSES IN EACH MARKET

The current 'two to a market' ownership rule is sufficient given the present number of licenses. If there is a number of new high powered FM and AM licenses issued in the future, the ownership rule could comfortably be increased to '3 to a market' allowing more diversity of services and formats. This could occur if there is a sufficient increase in stations per market. As a guide – in Sydney this should only occur if the number of commercial licenses increases to 18. This would allow for a minimum ownership spread of 6 companies. This is the current situation in Sydney with 6 companies owning the 9 commercial stations.