

Submission 93
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PRODUCTIVITY COMMISSION BROADCASTING SERVICES INQUIRY
SUBMISSION ON BEHALF OF RURAL PRESS LIMITED
May 1999



Introduction

Rural Press Limited ("RPL") presently owns and operates six regional radio licences in South Australia and has a 50.1 per cent holding in the Star FM licence in Ipswich, Queensland.

In the years between 1993 and 1997 the company owned and operated 37 regional stations in Queensland and Western Australia. The company divested itself of this large holding in October 1997 for reasons closely associated with the operation of the Broadcasting Services Act (BSA) and the Licence Area Planning (LAP) provisions of that Act.

RPL also has a long history of operating country newspapers and agricultural publications throughout Australia and through this believes it has a unique knowledge of and perspective on the nation's regional markets.

The company has a desire to continue to bring this blend of experience into play for the benefit of country people by way of being a major operator of regional commercial radio services and is thus re-investing in radio in country markets where circumstances allow.

In line with this strategy, RPL made a major submission to the Cross-Media Ownership Inquiry set up to be conducted by the Department of Communications (DOC) at the end of 1996. That inquiry was shelved. Why?

We question the reasons for, apparently, resurrecting that inquiry - even if it is under the auspices of another government body - after such a short period.

We submit that not enough has changed to warrant the expense of a new inquiry. Certainly, as the Commission's Issues Paper points out, so-called convergence (i.e. converging communications technologies) is a factor, but so it was several years ago.

We claim that Australia has yet to understand and see how much of an effect convergence will have on our existing communications structure; convergence has not taken hold yet; it is too early to try to answer the question posed in the Issues Paper ...*Will technological convergence and competition between the traditional broadcasting services and other newer services increase the need for special limitations on control and ownership? What form should they take?*

As the majority of Australians still get their news information and entertainment from the 'traditional' services - newspapers, television and radio - and not from say, the Internet or Pay TV, we do not clearly know the answer.

It follows that at this time we see no need for change in cross-media rules. We see no alternative to the retention of the existing rules.

However, in our last (November 1996) submission we did make a number of suggestions regarding change to some other provisions of the Broadcasting Services Act (1992) which would make the Act more 'user-friendly'. We believe they are worthy of re-submission especially in light of the way the Australian Broadcasting Authority's (ABA) LAP process is impacting on regional radio services.

Diversity and the LAP Process

Under Sections 24, 25 and 26 of the BSA the ABA is required to "prepare plans that determine the number and characteristics ... of broadcasting services that are to be available in particular areas of Australia ...". In addition Section 39 gives the ABA power to allot a second licence to a solus operator in a given market. The purpose of these provisions in the Act is to give listeners, particularly rural listeners, diversity of choice of programming.

Licence Area Planning thus far, i.e. in areas where the process has been completed, has seen a proliferation of licences and a downgrading of services, particularly rural services in the name of 'diversity'. There is probably no better case study of what happens when a regional market becomes 'over diversified' than the downgrading of commercial radio services that has occurred in recent times in the south-west of Western Australia.

Three years ago, before Licence Area Planning and before the issue of any S39 licences in this area, the cities and towns throughout the region – Bunbury, Albany, Northam, Katanning, Bridgetown, Narrogin, Merriden – all had local AM radio stations carrying local programming that included local news and information services essential to the communities involved. Now (May 1999), post the LAP process, all have additional S39 FM licences but only Bunbury carries full local programming. Albany has a local breakfast session, Northam carries one-hour of local programming a day and the rest have nothing – no localism whatsoever, only 100 per cent relayed programming emanating from Bunbury on both their AM and FM services.

This has happened because it is the only economically viable way the market(s) can sustain this level of 'diversity' of services. The services can only operate if they can collect enough advertising dollars to cover costs. Clearly there are not enough advertising dollars to go around, at least as far as financing local news and information services in the small towns of south west Western Australia is concerned.

RPL submits that similar events will overtake more regional markets as they become over-serviced or 'over-radioed' through the way the ABA has chosen to implement Sections 24, 25, 26 and 39 of the Act. We understand, for example, that the new FM service recently brought on-stream in Mareeba on the Atherton Tableland in Far North Queensland is relayed from Bunbury in Western Australia and contains no local content. Consumers of radio, the listeners, are the losers.

The above goes a long way towards explaining why RPL is no longer a major player in Australian regional radio. In addition, the local economics of many regional areas of Australia have suffered real decline and hardship, particularly away from the coastal strips.

In metropolitan markets the process of new licence planning seems to be in a perpetually stalled state, yet this is where the economic growth, the population growth and the demand for new services is the greatest.

Ownership and Control

The BSA contains different provisions for ownership and control of commercial television and commercial radio. Any Australian commercial radio station or network of stations can be 100 per cent foreign owned. Foreign ownership of television is prohibited under Sections 57 and 58. The published reason for this is that radio is not an "influential broadcasting service".

RPL considers this to be an anomaly in the Act which should be changed. We believe change to bring the commercial radio industry into line with television with regard to foreign ownership, is both desirable and possible despite the level of foreign ownership that presently exists. The two major foreign investments that have occurred in the 6.5 years the BSA has been in operation - control of a mainly regional group of radio stations by a UK-based media company and 50 per cent ownership of a metropolitan group by an American broadcasting company - can either be required to be divested or 'grandfathered'.

RPL submits:

- Too much of Australian industry is already under foreign control;
- Radio is not and should not be treated as a less influential second-class medium behind television.

We remind the Commission that one of the published objectives of the Broadcasting Services Act is *to ensure that Australians have effective control of the more influential broadcasting services.*

More Flexibility

We suggest other areas of the BSA could also be relaxed to provide a better environment for regional radio operations and pinpoint Section 51 as an illustration.

This is the '30 per cent rule' which provides that where a given licence overlaps an adjoining licence area by more than this figure the two markets must be regulated as one and the same.

The inflexibility of Section 51 means that as little as a 0.1 per cent change in the population of a given licence area can lead to a fundamental change in the number and quality of commercial radio services operating in adjoining markets. Discretionary powers should be written into the Act in regard to Section 51.

The Role of the National Broadcaster

RPL acknowledges that the BSA was framed to regulate the commercial broadcasting industry and thus does not give any authority to the ABA over the activities of the national broadcaster (ABC). We suggest that it should, at least for planning purposes. If and when its expansion is recognised in planning decisions we submit that account should be taken of the 'regional' rather than the 'local' nature of the ABC's programming in country areas. It competes with local commercial operations for audience share but because its signal invariably has far greater range than its rivals, it is oriented more to the service of regions than the strictly local service provided by commercial radio.

While it is accepted that the national broadcaster does not drain advertising dollars from a given market, the comparatively recent rollout of Triple J in regional areas added to its existing Fine Music and general services serves to further dilute already fragmented audiences. There is no 'level playing field'. The ABC competes for audience share "cocooned" from regulation and able to set up new services without any apparent regard for the overall effect on a particular market. This might be fine for the taxpayer-funded national broadcaster but for the commercial operator, totally dependent on advertising dollars to survive in a severely divided market, audience fragmentation can mean ongoing financial losses and closure.

We submit that more heed should be paid to the activities of the national broadcaster. Its expansion should be overseen either by way of an amended BSA or through the Act's administration by the ABA. The Authority should be obliged to take ABC expansion into account when planning new commercial services.

Digital Broadcasting

1. The planned 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. Indeed the available audience might even be further fragmented as DRB holds out the prospect of being available for specialist information services.
2. Present planning and testing by DOC for the introduction of DRB centres around the European Eureka system. Broadcasts using this system can only be heard on completely new and expensive radio sets. It is RPL's understanding that an 'in-band' system is being developed for digital radio broadcasting in America. Such a system, if successful, will be designed to be superimposed on existing AM and FM technology meaning that it can be listened to on existing radio sets - much the same as colour television can be seen on black and white TV sets. We submit DOC should explore thoroughly the efficacy of these US developments before imposing the expensive European version of DRB on Australia.

Conclusion

While we advocate retention of existing cross-media rules at this stage of Australia's so-called 'changing face of communications technology', we are not suggesting such rules could not or should not be re-visited when the impact of convergence becomes more apparent.

Our concern in this regard is to RPL's heartland - the bush. There can be major differences between the city and the bush. Indeed there is already some evidence emerging that regulations that may be appropriate for large metropolitan markets may not necessarily be good for small country markets. Some country markets are seeing the demise of localism in the programming of their radio stations. Vital service information that was once on the local airwaves has gone, to be replaced by 'imported' programming of no local relevance.

While this is the direct result of the way the ABA has chosen to administer the LAP provisions of the BSA (by allowing a plethora of new licences to start up in regional areas in the name of 'diversity') it is possible that new, emerging and converging technologies could exacerbate the problem.

May 24, 1999.