

COMMERCIAL RADIO – SERVING REGIONAL AUSTRALIA

*A Submission to the House of Representatives Standing
Committee on Communications, Transport and the Arts*

REGIONAL RADIO INQUIRY

From



***The Federation of Australian Radio
Broadcasters Limited***

November 2000

FOREWORD

This submission is intended to provide the House of Representatives Standing Committee on Communications, Transport and the Arts with a broad overview of the commercial broadcasting scene in regional and rural Australia and demonstrates the comprehensive and professional services being provided to listeners. It does not represent the specific views of all members of the Federation of Australian Radio Broadcasters (FARB), many of whom will submit separate submissions.

While it has drawn some conclusions it has not made any recommendations. FARB reserves the right to make a further submission and recommendations in the light of issues raised during the course of the inquiry. Commercial broadcasters will be responsive to any real issues that may be highlighted by the inquiry.

CONTENTS

Chapter 1	The Federation of Australian Radio Broadcasters (FARB)	Page 4
Chapter 2	The media in Australia – structure, ownership and regulation	Page 7
Chapter 3	Historical comparisons of media and radio over the past three decades	Page 9
Chapter 4	The legislative position	Page 14
Chapter 5	Types of radio services in Australia	Page 17
Chapter 6	Social and economic factors affecting regional and rural Australia	Page 23
Chapter 7	Listening and sources of revenue – how the media survives	Page 25
Chapter 8	Future trends in radio employment and career opportunities in non metropolitan Australia	Page 28
Chapter 9	Commercial radio viability and profitability	Page 30
Chapter 10	Localism	Page 37
Chapter 11	The effect of the BSA and networking on non metropolitan communities	Page 44
Chapter 12	The potential for new technologies to provide more regional radio services	Page 46
	Conclusion	Page 50

Attachments

1. List of FARB membership
2. *Building your business with radio*
3. *Radio: A team game*
4. Media ownership in Australia
5. Share of advertising revenue by publicly listed media companies
6. Sections 3 & 4 of the BSA
7. References for social & economic factors affecting rural & regional Australia
8. Population changes in small towns, 1986-996
9. *Radio all Australia listening report*
10. Actual & projected population 1977-2021

CHAPTER ONE: THE FEDERATION OF AUSTRALIAN RADIO BROADCASTERS (FARB)

Introduction

FARB is the industry association representing the interests of Australia's commercial radio broadcasters, several of them having been in operation since 1925. A list of FARB's members is Attachment 1. Its policy is determined by a Board of Directors (10 members), five of whom are elected for a two year period at each Annual General Meeting. The current Board comprises:

- Gary Roberts – Austereo (Chairman)
- Paul Thompson – DMG Radio Australia (Vice Chairman)
- Ron Camplin – Bathurst Broadcasters (Vice Chairman Country)
- Tony Bell – Southern Cross Broadcasting
- Fiona Cameron – Australian Radio Network
- Rhys Holleran – RG Capital Radio
- Chris Lodge – Radio 2LM/2ZZZ Lismore
- Gay Wallace – Austereo
- Stan Willmott – Corporate Development Consultant
- John Hamilton – Australian Radio Network

FARB is funded by membership subscriptions according to a formula based on population and the number of commercial radio services in the market.

The FARB Secretariat pursues a range of issues on behalf of its member stations. The twelve secretariat staff have an overall knowledge of Members' needs, and also specialise in areas of the organisation's operation.

The Secretariat assists and advises members in areas such as –

Government Relations

FARB maintains a strong voice to Government on a range of issues impacting on the commercial radio industry.

Industrial Relations

On behalf of its members FARB negotiates with unions in respect of industrial awards which apply to employees of commercial radio stations. FARB members are provided with an ongoing service of advice regarding industrial and employment matters, including the interpretation of awards, updates on wage rates and representation before the Australian Industrial Relations Commission.

Commercial Advisory Service

FARB's Commercial Advisory Service provides assistance to Member stations and advertising agencies on a range of advertising issues including codes of practice applying to programming and advertising as approved and registered by the Australian Broadcasting Authority and other instrumentalities.

Education and Training

On behalf of members, FARB fosters a range of seminars, correspondence and technical courses focused on providing radio station employees with an opportunity to learn or review the fundamental principles and techniques applied in specialist areas such as copywriting, programming and sales/marketing.

Since 1980, the Australian Film, Television and Radio School (AFTRS) and FARB, have developed a number of training programs for the commercial radio industry with particular emphasis on courses designed for people wishing to enter the industry, including a very successful course for announcers. FARB also maintains a close relationship with major universities around Australia that provide courses relevant to commercial radio broadcasting, including Charles Sturt University at Bathurst which has established a Bachelor of Arts (Communications - Commercial Radio) Degree course.

Marketing

FARB undertakes a variety of marketing-oriented activities on behalf of Member stations, including the commissioning of research and preparation of publications on a range of subjects and general marketing support such as details on specific industries, demographics and competitive media. Two examples of publications which may be of interest to the Committee are included as Attachments 2 and 3. They are "Building your business with radio" and "Radio: A team game".

Copyright

FARB advises its members on a range of copyright matters and discusses issues of industry concern with copyright owners' associations and the Attorney General's Department. In some instances it has been appropriate for FARB to negotiate agreements with collecting societies on behalf of its Members.

Research

On behalf of its Members, FARB co-ordinates arrangements with accredited research companies for audience measurement surveys. In addition, FARB undertakes and commissions research on a variety of matters relevant to radio broadcasting in Australia.

Industry Codes and Standards

The secretariat also provides advice to member stations to ensure compliance with voluntary Codes. Under the Commercial Radio Codes of Practice, required by the *Broadcasting Services Act 1992*. FARB collates regular reports from members on complaints. These reports are provided to the Australian Broadcasting Authority (ABA).

Engineering

FARB co-ordinates a range of engineering activities on behalf of Member stations, such as negotiations with Telstra for the transition from analog to ISDN technology and formulation of an Electromagnetic Hazard Management policy. During the past two years FARB has spent significant effort investigating and carrying out preliminary planning for Digital Radio Broadcasting (DRB) on behalf of commercial broadcasters.

RAWARDS and Golden Stylus Awards

FARB co-ordinates the industry's annual RAWARDS, which recognise professional excellence in commercial radio broadcasting and regularly attract more than 750 entries from stations across Australia. This year's presentation, sponsored by Toyota Australia, was staged at the Melbourne Convention Centre on Saturday 21st October 2000.

The industry also stages the Golden Stylus Awards, Australia's longest running creative awards, which are highly coveted by radio writers and producers throughout the advertising industry. The presentation of this year's awards was in Melbourne on Friday, 20th October 2000.

CHAPTER TWO: THE MEDIA IN AUSTRALIA – STRUCTURE, OWNERSHIP AND REGULATION

Before commenting on commercial radio in regional areas, it is useful to overview the structure of all media in Australia. This will provide a contextual framework within which to consider the role that radio plays in regional areas.

The main forms of media in Australia are television, print media (newspapers and magazines), outdoor, cinema, direct mail, internet, and, of course, radio. The current pattern of media ownership is now comparatively stable after much reshaping, reselling and restructuring. A general feature of the media landscape today is the concentration of ownership in all forms with a number of key players prominent in each of the television, newspapers, magazines, print, outdoor, cinema and radio industries.

Major publicly listed players in Australian media are companies such as News Ltd., John Fairfax Publications, the PBL Group, Seven Network, Austereo, APN News & Media, PMP Communication, Prime TV, Queensland Press, Rural Press, Southern Cross Broadcasting, Sunraysia Television, Telecasters Australia, Ten Network and WA Newspapers. A detailed list of the major media players in Australia is contained in Attachment 4. It is difficult to present to the Committee the top media companies by revenue, because not all are public companies and therefore do not publish financial data. However, to present some sort of a picture, we have listed in Attachment 5 advertising revenue information regarding the publicly listed companies.

Apart from the commercially owned media, there is of course the Australian Broadcasting Corporation and Special Broadcasting Service, which are national public broadcasters.

Ownership and control

Across all media there are three kinds of limits placed on media ownership; limits on ownership within a local area, national limits, and foreign ownership limits. The three major pieces of legislation regulating the ownership of Australia's main media are the *Broadcasting Services Act 1992* (referred to in this paper as the *BSA*, administered primarily by the *Australian Broadcasting Authority*) which regulates the ownership and control of licensed commercial, community and subscription broadcasting and narrowcasting services; the *Foreign Acquisitions and Takeovers Act 1975* (administered by the Treasurer, with assistance from the Foreign Investment Review Board) which regulates the acquisition of Australian land and businesses by foreign persons; and the *Trade Practices Act 1974* (administered by the Australian Competition and Consumer Commission) which regulates the activities of Australian corporations to prevent anti-competitive conduct and to ensure that the interests and welfare of consumers are adequately protected. Other broadcast legislation includes the *Radiocommunications Act 1992*, the *Australian Broadcasting Corporation Act 1983*, *Special Broadcasting Services Act 1991* and the *Television Broadcasting Services (Digital Conversion) Act 1998*.

Television

For ownership of television licences within a local area, the *BSA* imposes a 'one-to-a-market' rule. That is, a person must not be in a position to exercise control over more than one commercial TV broadcasting licence in the same licence area (eg. Melbourne, Wollongong, Townsville). A person must also not be in a position to exercise control of commercial television licences whose combined licence area populations exceed 75% of the population of Australia. Cross-media rules mean that a person must not be in a position to exercise control over a commercial TV broadcasting licence and a commercial radio licence or a major newspaper in the same area. Similar limits are imposed on multiple directorships of media companies.

Radio

For commercial radio, the *BSA* imposes a 'two-to-a-market' rule. Under these provisions a person must not be in a position to exercise control over more than two commercial radio broadcasting licences in the same licence area (eg. Adelaide, Orange, Launceston). The Act also imposes cross-media ownership rules to prevent a person from being in a position to exercise control over a commercial radio broadcasting licence and a commercial TV licence or a major newspaper in the same area. Again, similar limits are imposed on multiple directorships.

The *Broadcasting Services Act* places no limits on foreign ownership or control of commercial radio licences beyond those imposed by the general provisions of the *Foreign Acquisitions and Takeovers Act*. The government has indicated that proposals for foreign investment in radio, which fall within the scope of the *Foreign Acquisitions and Takeovers Act* will be considered on a case-by-case basis. This stands in stark contrast to television, where majority foreign ownership is not allowed.

Newspapers

The ownership and control of newspapers within an area is only regulated indirectly under the *Trade Practices Act*. Its most relevant provisions, for the purposes of media ownership and control, prohibit mergers likely to have the effect of substantially lessening competition in a market, and the misuse of market power. However, the ACCC may 'authorise' mergers that would otherwise have the effect of substantially lessening competition, where it believes there is sufficient public benefit in doing so. The cross-media ownership restrictions in the *BSA* indirectly regulate the activities of people in control of major newspapers.

CHAPTER THREE: HISTORICAL COMPARISONS OF MEDIA AND RADIO OVER THE PAST THREE DECADES

To bring the current media mix in regional areas into perspective it is worth looking at the changes in radio broadcasting and the media generally over the past 30 years, so that we understand the factors influencing the decisions of some radio operators to network and, hence, deliver local services in a different fashion.

The 1970's – Beginnings of Change

The relevant Act which was in force in the early 1970's, and which had been for the previous 30 years and would be until 1992, was the *Broadcasting and Television Act 1942* (the 1942 Act). This Act took a very literal approach to the application and enforcement of the law in relation to broadcasting, and its regulatory body, the Australian Broadcasting Tribunal, was required to take a very interventionist role in its administration. The overall responsibility for broadcasting resided with the Government through the Minister for Post and Telecommunications, and the Act conferred wide powers on the Minister in terms of the overall control over the manner in which the Australian broadcasting system was planned, structured and administered. However, in some areas of planning, the Minister was required to confer with the Australian Broadcasting Control Board (ABCB) before reaching a decision.

Commercial radio broadcasting licences were allocated at this time based on the availability of suitable frequencies, the extent of need in the area and the potential financial viability of the proposed services, as well as the already existing services. These are considerations that were removed with the introduction of the *Broadcasting Services Act 1992*. As a consequence, there were far fewer radio stations in markets than there are now. There were also fewer forms of other media against which radio competed for advertising and audience share. In 1975 there was generally only one commercial radio station per regional radio market, one commercial television station covering several radio markets, and possibly one daily newspaper, but more likely a major newspaper once or twice a week in regional areas. Overall, at 30 June 1976, there were 120 commercial radio stations and 48 commercial television stations.¹

It was during this period that 2JJ (now Triple J), described at the time as an “experimental young-style radio station”, was introduced by the ABC in Sydney, and 3ZZ, an experimental access station, was introduced in Melbourne in 1978. The ABC in Sydney, Melbourne, Adelaide and Canberra also commenced FM services. The objective of these national services was to provide an Australia-wide broadcasting service as a public utility, the same objective that these national services have today. These were intended to complement the existing commercial radio broadcasting services, and they continue to serve this function. Public broadcasting services were also introduced in the late 1970's. Therefore commercial radio broadcasters only faced competition from these few broadcasters, and licences were only allocated if all commercial broadcasters in a market were considered to be viable.

¹ Australian Broadcasting Control Board, *27th Annual Report 1974-75*, Canberra, 1975

This meant radio broadcasters were only subject to limited competition for audiences and advertising dollars, a very different situation to the highly competitive environment in which they operate today.

The 1980's – The Arrival of Commercial FM

Following the introduction of commercial FM broadcasting to Melbourne and Sydney in 1980, FM radio broadcasting was introduced in a limited fashion to non-metropolitan areas generally through new players. However, until the advent of the BSA in 1992, regional areas were largely deprived of FM radio.

The national metropolitan radio plan in the late 1980s incorporated the conversion to FM of a number of existing AM operators with the licensing of new players in the FM band. What this meant was that additional commercial radio broadcasting licences were allocated in markets that originally had been served only by AM stations. This resulted in effectively four types of competitors for audiences in regional areas, namely, national broadcasters (the ABC), AM and FM commercial radio stations and community stations. The fact that there were now four types of competitors for the same audience meant that, as a consequence, advertising revenue and commercial viability (a term which we will be discussing in more detail later) for each individual station were compromised.

1992 – The Introduction of the BSA

The cornerstone of all broadcasting legislation today is the *Broadcasting Services Act 1992* (the *BSA*), introduced in 1992. It is the main piece of legislation that regulates not only radio broadcasting, but also all the other forms of electronic media in Australia. It lays down the concepts and framework for other relevant Acts such as the *Australian Broadcasting Corporation Act 1982*, the *Special Broadcasting Service Act 1991* and the *Radiocommunications Act 1992*. Its introduction on 5 October 1992 was a departure from earlier forms of regulation of broadcasting services, which previously relied on extensive intervention and action by the regulator, the Australian Broadcasting Tribunal (ABT), and changed the face of radio broadcasting forever. The intention of the new Act and the new regulatory authority, the Australian Broadcasting Authority (the ABA), was that it would be less interventionist and more sensitive to industry needs than its predecessors.

The *BSA* was a move away from the “black-letter” law approach of the 1942 Act. The literal approach enacted in the 1942 Act had led to a constant stream of legal challenges to test the legal parameters of actions taken by the Australian Broadcasting Tribunal and the 1942 Act. The 1992 Act adopted a more purposive approach. As the second reading speech makes clear, it was a conscious decision to reduce regulation, so as to improve efficiency, and facilitate expansion of the broadcasting industry. This has since been referred to as “light touch” regulation and is reflected in the approach, that has since become commonplace, of explicitly setting out the objectives (s.3) and the regulatory policy of the *BSA* (s.4) (see Attachment 6 – Sections 3 & 4, *BSA*).

The ABA was accordingly charged with the responsibility for monitoring the broadcasting industry in a way that was consistent with the regulatory policy referred to in Section 4 of the *BSA*. The ABA is responsible for implementing most provisions of the *BSA*, and has a broader charter than did the ABT, especially in the planning and technical area. The broadcast role formerly exercised by the Department of Transport and Communications was transferred to the ABA, and since 1992 it has been responsible for the enforcement of the law, and dealing with breaches in a manner most appropriate under the *BSA*.

2000 – The Way It Is Today

As we have seen from the historical perspective above, the commercial radio industry, like many industries, has been forced to deal with a process of rapid economic and regulatory change in the 1990s. The extensive restructuring by radio operators has aimed to meet the needs of the Australian public while satisfying commercial imperatives. The fragmentation of audiences and advertising revenue combined with the need to deliver services as economically as possible and build audiences, has led to highly competitive regional and metropolitan markets.

There has been a sharp increase in the number of radio licences in regional and rural Australia in the past 10 years. Over the decade since 1990, the number of commercial radio licences on air has increased from 147 to 243, or by 65%, largely as a result of s.39 licences². Over the same period, the number of community licences has grown from just 77 to 182. Aspirant community broadcasters have also been introduced and now total almost 140. There are 170 high powered narrowcast services, about 1600 low powered narrowcast, plus 160 BRACS, special community and Section 40 commercial licences³.

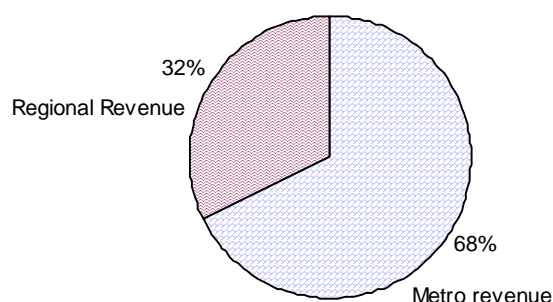
Radio Industry Makeup

There are currently 243 commercial radio stations on air in Australia (31 October 2000), of which 233 are members of FARB (see Attachment 1 – *List of FARB Members by Ownership*). The majority of these stations are in regional markets (201), with only 32 in the capital cities of Sydney, Melbourne, Brisbane, Adelaide and Perth. Over the past five years, following changes to ownership rules which allow owners to operate two stations in each market, there has been considerable consolidation of the industry with the number of individual owners reduced to 36 and about 190 stations, or 80%, of the total now formed into 12 networks. The industry currently generates around \$660m in annual revenue, all from advertising, of which 65-70% goes to the metropolitan markets and 30-35% to the regional markets.

² Section 39 of the *Broadcasting Services Act 1992*, allows a second licence to be granted to a licensee in a solus market with a less than 30% overlap with the adjoining market.

³ Section 40 of the *Broadcasting Services Act 1992*, allows the ABA to allocate a commercial broadcasting licence (not defined in Section 36(1)) where an application has been made in writing, and where the ABA deems it appropriate to allocate the extra licence. These licences are also outside the broadcasting services band.

Regional vs Metro Revenue Split 1998/99



Source: ABABroadcastingFinancial Reports 1998/99

Australia has a unique, vibrant and diverse broadcasting system that has been structured to provide the listening public with a balance of commercial, national, community and narrowcasting services.

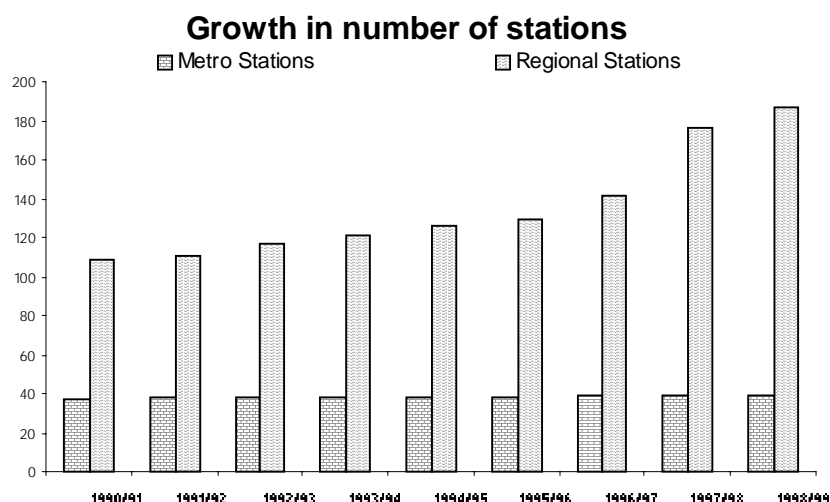
Currently, the radio broadcasting industry in Australia comprises five national (ABC) radio networks which broadcast on 700 transmitters around the country; 241 commercial stations in the Broadcasting Services Bands (BSB) and two s.40 out of band licences; 182 community broadcasting stations; almost 140 aspirant community broadcasters; 160 Broadcasting in Remote Aboriginal Communities Scheme (BRACS) licences; and more than 170 high power open narrowcasting stations. In addition there are around 1,600 low power open narrowcasting stations. SBS also broadcasts radio programs in 68 languages in metropolitan markets.

It is anticipated that the number of analog stations will grow only marginally in the next 12 months as the ABA planning process nears completion. All seven sectors have very different roles to play in meeting the needs of listeners, but they co-operate on a broad range of issues to further develop broadcasting in Australia. The Government's as yet undeclared approach to digital broadcasting will determine the growth of new types of licences which will be discussed later in this paper.

Growth of Radio Station Licences by Type

Station Type	1989/90	1990/91	1991/2	1992/3	1993/4	1994/5	1995/6	1996/7	1997/8	1998/9	1999/00
Commercial	147	148	149	155	159	164	167	181	215	225	241
S.40 Commercial											2
Community	77	94	99	119	124	124	125	126	136	147	182
Aspirant Community											138
ABC (No of Transmitters)	357	400	440	522	558	597	635	670	685	697	700
Hi Powered Narrowcast								55	82	130	170
Low Powered Narrowcast				260	507	850	1,295	1,460	1,500	1,560	1,600
BRACS											160
Special Community											64

Source: ABA & FARB records as at 30 October 2000



Source: ABA Financial Reports

The *Broadcasting Services Act* abolished the necessity to assess viability and need in deciding whether more radio licences should be issued, thus new radio broadcasting licences have been either issued or auctioned at a far greater rate since 1992 than ever before. This explosion of services has presented listeners with a greater choice of services, station formats and a richer pool of programming, and on air talent.

With the expansion and takeover of a number of networks and independent operators in a period of major growth, delivered by the ABA's planning process, and the recession of the early 1990's, the commercial radio industry in Australia has undergone a major period of consolidation.

Overall, commercial radio has seen a 65% increase in the number of commercial stations on the air since the introduction of the BSA, and a significant decline in the number of operators or owners, in response to changing market conditions and ownership rules.

The new industry structure has allowed broadcasters the opportunity to rein in expenditure to achieve economies of scale in a range of areas, including administration, production and infrastructure, while maintaining a balance between localism and other programming.

This has been a difficult balancing act in a competitive market place. Today in most regional areas, there are a minimum of two commercial radio stations per market, plus community, aspirant community and narrowcast radio stations that are competing for advertising dollars. There are also three commercial television stations in each market spanning more radio station markets than the single TV station did prior to aggregation. In addition, most markets have long-established newspapers and local area free newspapers; "yellow pages" style of business directories; more demands for sponsorship dollars from local businesses; internet advertising; and a variety of sophisticated outdoor advertising. Not to mention the national press, such as *The Australian* newspaper, the *Australian Women's Weekly* and *Family Circle* magazines. All of this squeezing radio profitability. In short, radio operators now deliver the same or better service to towns or regions who have faced significant social and economic upheaval, often leading to population shrinkage and local business closure.

CHAPTER FOUR: THE LEGISLATIVE POSITION

Having illustrated the economic and regulatory environments that have shaped the commercial radio industry today, it is now appropriate to consider the legislative position with regard to radio programming. This will provide a framework within which to discuss whether commercial broadcasters are living up to the expectations of Parliament, and the community, in the provision of regional radio services.

Perusal of Hansard and other legislative material suggests that there has been no charter set down by Parliament in relation to the requirements of regional radio broadcasting. It is therefore difficult to find a yardstick against which to measure whether or not regional radio is effectively fulfilling its role as a broadcaster. Nor is there any mention in the Second Reading Speech accompanying the introduction of the Act of what regional radio should be like, or how it should be regulated, or what form it should take. It is difficult, therefore, to establish what the intention of Parliament was in terms of what charter it felt regional radio needed to adhere to in providing a regional radio broadcasting service. There is also little or no mention in other Hansard transcripts of what Parliament felt should be the objective of regional radio broadcasters, and neither does the *BSA* specifically address the issue of regional radio broadcasting.

The rationale behind the *BSA* in imposing the various categories of broadcasting licences, based on the individual objectives in the Act, was to emphasise the audience/consumer focus of the Bill and the desire to promote services that develop and reflect a sense of Australia's cultural diversity. As the Explanatory Memorandum to the *Broadcasting Services Bill* stated, the Bill was drafted to meet the changing nature of broadcasting that was occurring worldwide. The trend, at the time of drafting, was towards an increasingly diverse range of services that addressed many community needs and were delivered by an expanding range of technological options. The ethos was that, although "broadcasting" services remained important, specialised services serving narrower ("niche") markets were becoming more common. Hence the proliferation of classes of broadcasting licence (ie: narrowcasting, community broadcasting etc.). It was also felt by the ABA, at the time the Act was drafted, that greater competition and a wider range of broadcasting services would improve the efficiency of the broadcasting industry.

The main object in the Act is that stated in Section 3(a), which is "to promote the availability to audiences throughout Australia of a diverse range of radio and T.V. services offering entertainment, education and information". This is discussed at greater length in the Explanatory Memorandum, which states that:

"Clause 3(a) relates to the intention that the Act will encourage and facilitate the provision of both 'free-to-air' broadcasting services as well as subscription and 'niche' broadcasting services to allow a broad range of general and special interests and needs to be met. Diversity in the range of services is encouraged by a more open planning regime that is expected to increase the availability of services, and by a licensing regime which is designed to accelerate the introduction of services and encourage the emergence of new 'niche' services."

Although this shows us what the general framework of the system of regulation of radio was intended to be under the *BSA*, it does not demonstrate to us what regional radio itself was intended to be like. Rather, it suggests that commercial radio in regional areas was intended to merely be one component in a larger overall system of radio broadcasting and regulation. Commercial radio stations were intended to interact with the wider system of national broadcasters, community radio broadcasters and narrowcasting services. This relieved commercial radio of the burden of being all things to all people.

A clearer picture of commercial radio's role within the regional sector emerged following the introduction of the *BSA*. Non-legislative and non-parliamentary sources of information about the way that regional radio was intended to be broadcast can be found in Local Area Plans and other broadcasting planning material. The ABA's view of what regional radio should aim to achieve, and what defines it in relation to other methods of radio broadcasting, can be found in these. It reiterates the same message that all forms of radio broadcasting are supposed to work together to form a cohesive whole, and the sole responsibility of regional radio broadcasting is not intended to rest with commercial radio.

In the ABA's *Planning Priorities – 1993* document, the ABA stated that community radio was introduced to supplement existing regional commercial radio broadcasters. It also noted that by 1993, National Broadcasting Services (such as Triple J) had also extended out into regional areas. A common opinion amongst the industry was that Triple J by 1993 was becoming increasingly commercial in style, and was not just a "youth" station, but had repositioned itself to appeal to a broader demographic. All this meant, and still means, that regional radio is more adequately serviced, not just by commercial radio but also national broadcasters and community radio than it has ever been. This therefore leaves commercial regional radio with a fairly limited charter in terms of the requirements of its broadcasting service. In its July 1995 *Reasons for Decisions* in relation to the LAP for the Mildura/Sunraysia area, the ABA observed that national broadcasters frequently provided programmes, different from those provided by commercial broadcasters, and served needs that the commercial sector had not addressed.

The ABA has allocated radio broadcasting licences to regional areas with these factors in mind. It has made its allocations considering the likelihood of others providing services and fulfilling other purportedly unfulfilled needs in regional areas with supplementary services, such as narrowcasting and community broadcasting. Not only has the ABA, in the allocation of radio broadcasting licences, regarded commercial radio as only one of many forms of radio broadcasting available in regional areas, but also as just one means of satisfying the community's needs. In its 1995 report on Mildura/Sunraysia, the ABA observed that some of the "diversity" of new services was expected to come from the proliferation of non-broadcasting services such as satellite and cable subscription TV broadcasting and narrowcasting services of all kinds. This was in accordance, again, with Section 3(a) of the Act. Thus, the provision of other forms of entertainment including satellite and cable TV, further limit commercial radio's role in regional areas.

Further, in its Mildura/Sunraysia report, the ABA expressed the opinion that having more variety of radio broadcasting services would promote competition and provide more diversity of programming to the audience. The ABA felt that additional services, such as narrowcasting, could permit additional high quality and innovative programming to be broadcast, whether in the form of innovative new ideas for local services or quality programming “networked” from other parts of the country. It also believed that the competition from planning resulting in additional services such as community broadcasting and narrowcasting, would promote appropriate coverage of matters of local significance by all types of service providers.

What has happened in reality is that, apart from racing radio, which is an ideal narrowcast service, some narrowcasters and community licences have sought to copy and compete with commercial services.

The markets are full of a range of broadcasting services which more than adequately service their audiences. The question remains, should commercial radio be singled out as having a particular and perhaps substantive responsibility in areas such as localism when there is a plethora of community stations right throughout regional Australia, many of them operating as quasi-commercial stations? If community and open narrowcast services, as well as national broadcasters and commercial radio broadcasters, contour their services to comply with the charters set out for them in the *BSA*, then diversity in radio services in regional areas will necessarily result. There should not be an over-emphasis on the obligation of commercial radio to be solely responsible for satisfying all of the needs of a regional audience.

Thus, we argue that not only is commercial radio fulfilling its legislative and parliamentary charter (limited as it is), but, as the weight of satisfying local audiences no longer rests solely with it, regional commercial radio is well and truly meeting the expectations of local communities. Narrowcasting, community radio and national broadcasting all work together with commercial radio to satisfy the local audience, and thus the current system of radio broadcasting in Australia is completely in accordance with the intention of the *BSA*.

CHAPTER FIVE: TYPES OF RADIO SERVICES IN AUSTRALIA

So what, specifically, are the types of radio stations that operate in Australia today under the *Broadcasting Services Act 1992* (the *BSA*), and what is the intent of each of the services operating?

Commercial Broadcasting

Commercial broadcasting licences are allocated under section 36 of the *BSA* as part of the ABA's planning process and offered under a price-based allocation system. Commercial broadcasting licences are defined under section 14 as licences, which are intended to be of general audience appeal, operated for profit and usually funded by advertising revenue. Section 39 (s.39) licences are supplementary licences and are automatically offered to licensees in a solus market with less than a 30% overlap with the adjoining market for an administrative fee of \$10,000.

Commercial broadcasting services must provide programs of wide appeal to make them economically viable because they are accessed by listeners for free and funded only by advertising revenue – they are operated for profit or as part of a profit-making enterprise. They are high-powered services⁴ which cover published and licensed areas that service either an entire metropolitan area (city) or a specified regional area.

Commercial radio stations produce a form of entertainment or information that attracts listeners with a particular lifestyle. Access to these listeners, in the form of radio airtime for commercial messages is then sold to advertisers. This almost entirely funds the operation of the station. The stations service a range of demographics with various program formats typically including contemporary hit radio (CHR), adult contemporary, hits and memories, gold, news/talk/talkback, easy listening and sport. For other sectors of broadcasting to duplicate these broad and popular commercial type formats, FARB considers to be a waste of valuable broadcasting resources and falls short of satisfying the diversity objectives of the *BSA*.

Because commercial broadcasters customarily endeavour to maximise their listener appeal they are in the vast majority easily distinguishable in “style” from community broadcasters and narrowcasters by virtue of their wide appeal programming. Localism also plays a major role in commercial broadcasting, and will be dealt with later.

Commercial broadcasters spend a considerable amount of money conducting surveys and other research to determine listener needs and identify listeners characteristics. This knowledge allows operators to develop or source programs which appeal to target audiences and enables advertisers to deliver sales messages to target audiences of primary interest.

⁴ A high powered service is one which is nominally above 1kw Effective Radiated Power (ERP)

Unlike some forms of broadcast licences, commercial radio station licences are a freely tradeable commodity and as such can be bought or sold for prices dependent on their ability to deliver an audience to advertisers. Their commercial nature also presently attracts an annual licence fee based on revenue. For the 1998/99 financial year, commercial radio stations contributed \$12.9 million in licence fees to the Government.⁵

Due to the premium that commercial operators pay in terms of licence allocations, acquisition, purchase costs and annual licence fees it is therefore logical that they have wide discretion with regard to program formats and that they not be restricted in any way as to the demographics of their audiences. They carry very significant investment risk, which includes high operating costs relevant to other radio sectors.

Members of FARB subscribe to the *Commercial Radio Codes of Practice* that call for a high standard of professionalism in programming matter. The Codes are a requirement of s.123 of the *BSA* and relate to Programs Unsuitable for Broadcast; News and Current Affairs Programs, Interviews and Talkback Programs, Advertising, Australian Music Content, Complaints Handling, and Compliance.

The Codes are developed in consultation with the ABA and involve a wide public consultation process. Revised codes registered last year tightened provisions relating to taste and decency, increased Australian content quotas and enhanced requirements for complaints handling and compliance.

Revision of codes relating to news and current affairs and advertising were delayed pending the outcome of the ABA's inquiry into commercial radio. In its interim report the ABA proposed Standards regarding disclosure of third party agreements, advertising and compliance. FARB argued that reform of the co-regulatory process could be achieved through new codes and existing code revisions. At the time of writing, the matters had not been finally resolved.

In summary, commercial radio services compete against other media and with each other for audiences and to generate sales of advertising. Generally, the larger the audience the larger the amount of advertising revenue generated by the service. The level of audiences regularly attracted to commercial radio has amply demonstrated the skills developed within the commercial sector in designing wide appeal programming formats that attract a high percentage of the available audience.

National Broadcasting

There are two national radio broadcasters – the ABC (Australian Broadcasting Corporation) and SBS (Special Broadcasting Service).

The ABC's national broadcasting networks consist of a national television service, four national specialist radio networks, an international radio service and an internet service.

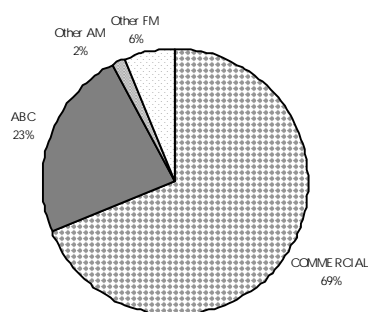
⁵ Australian Broadcasting Authority, *Broadcasting Financial Results 1998/99*

The ABC's radio stations are Radio National, ABC Classic FM, Triple J, NewsRadio on the Parliamentary and News Network, and Radio Australia which is an international service broadcasting to the Asia-Pacific region.

In regional and metropolitan areas, the ABC provides local radio services in nine cities and regional stations in 48 locations; local television in each State and Territory primarily for local audiences and at times broadcast nationally; rural radio which provides specialist rural information for both regional and metropolitan audiences; radio sport which covers major national and international sports and sporting events; Indigenous broadcasting designed for liaison between the ABC and Indigenous communities; and Local Online which consists of regional and metropolitan station websites providing local entry points to all ABC online services.⁶

SBS provides a radio and television service to Australians in both rural and metropolitan areas. SBS Radio is Australia's national multicultural and multilingual radio network. It broadcasts in 68 languages, more than any other broadcaster in the world and is also putting some of its radio services on-line to make them more accessible. SBS Radio broadcasts more than 650 hours of programming on five services: Radio Melbourne 1 and 2; Radio Sydney 1 and 2; and the National Radio Network which covers Adelaide, Brisbane, Canberra, Darwin, Perth, Hobart, Geelong, Newcastle and Wollongong.⁷

Share of Listening Audience by Licence Type
PPL 10+



Source: ACNielsen, All Australia Listening Report, 2000

Community Broadcasting

There are 182 community broadcasting services “on air” and 138 active aspirant community broadcasters, the majority of which are located in the eastern states of Victoria, New South Wales and Queensland. In addition, there are 160 community services issued under the former Broadcasting in Remote Aboriginal Communities Scheme (known as BRACS)⁸.

⁶ Australian Broadcasting Corporation, *Annual Report 1998-99*, Sydney, 1999, pp.4-7

⁷ Special Broadcasting Service website (www.sbs.com.au)

⁸ Australian Broadcasting Authority website (www.aba.gov.au)

Community broadcasting services are defined under s.15 of the *BSA* as being broadcasting services that:

- are provided for community purposes; and
- are not operated for profit or as part of a profit-making enterprise; and
- provide programs that:
 - a) are able to be received by commonly available equipment; and
 - b) are made available free to the general public.

There have been two models for licensing community services in Australia; special interest and geographic or broad-based community licences. Although these two classes of licence are no longer in the legislation, they continue to frame the approach to defining community for the purposes of community broadcasting.

The ABA believes the most useful definition of community is one that is broad and takes into account social, historical and cultural linkages. The objects of the Act include promoting the diversity of broadcasting services available to the public, developing and reflecting Australian identity, character and cultural diversity; and providing programming material that is locally significant.

The ABA identifies community broadcasting licences through its licence area plans (LAPs). The planning and allocation of community broadcasting licences may also be subject to Ministerial direction, with the Minister able to notify the ABA to reserve capacity within the broadcasting services bands for a specified number of community services. The Minister may direct the ABA to give priority to a particular community interest or interests.

Community licences are allocated under a “beauty contest” with aspirant community broadcasters required to address a set of criteria through a submission and appearance at a public hearing. The criteria includes:

- the extent to which the proposed service would meet the existing and perceived future needs of the community within the licence area of the proposed service;
- the nature and diversity of the interests of that community;
- the nature and diversity of other broadcasting services within the licence area; and
- the capacity of the applicant to provide the proposed service.

Under the *BSA*, community broadcasters are restricted to carrying no more than 5 minutes per hour of sponsorship announcements (not advertisements) which must carry an acknowledgement of a sponsor’s support of the licensee. Provided that sponsorship announcements do acknowledge financial support, they may promote the activities, events, products, services or programs of the sponsor.

Temporary community broadcasting licences are allocated under a 1997 amendment to the *BSA* to allow community groups seeking a licence to “test” their ability to operate a service and gauge the level of support for such a station. The licences are allocated for periods up to 12 months and in markets where there are high numbers of aspirant broadcasters, a frequency is shared for shorter periods.

During that period the aspirants are on air they are expected to operate in the same manner as an established community broadcaster, including the sponsorship provisions.

Narrowcasting

There are 170 high-powered narrowcast services operating throughout Australia, the vast majority providing racing radio to New South Wales, Queensland and Western Australia. These are planned under the ABA's planning process and allocated on a price-based allocation system.

In addition, there are class licences allocated for about 1,600 low-power open narrowcast services (LPONs) throughout the country, ranging in power from 1 watt in metropolitan areas to 10 watts in regional areas. They generally operate on 87.5 to 88MHz and are available "over the counter", originally for a nominal fee of \$28 which has now increased to \$372.

Open narrowcasting services are broadcasting services whose reception is limited in at least one or a number of ways specified in s.18 of the *BSA*:

- by being targeted to special interest groups;
- by being intended for limited locations (eg. arenas or business premises);
- by being provided during a limited period or to cover a special event;
- because they provide programs of limited appeal; or
- for some other reason.

Open narrowcasting services operate under the class licence provisions of the *BSA*. They are not individually issued, but are a standing authority for any operator to enter the market and provide a service, as long as the operator has access to delivery capacity and abides by the conditions applicable to the relevant category of class licence. Class licence service providers who wish to use the broadcasting services bands as part of the radio frequency spectrum must apply to the ACA for a transmitter licence, issued under the *Radiocommunications Act 1992*, to operate their service.

Narrowcasting has been the subject of two recent inquiries and one pending inquiry.

The Minister has sought submissions (announced 30 October 2000) on a proposal to increase the tenure of high-powered narrowcasters as a result of the outcome of a recent government inquiry into racing radio.

The Australian Communications Authority, in conjunction with the Minister, is still developing a preferred response to an inquiry that looked at concerns expressed by industry and the government that LPONs were being hoarded.

The ABA announced in April 2000 an inquiry to bring greater clarity to the definition of open narrowcasting and has deferred the allocation of further high power narrowcast licences until the inquiry is completed.

Many of FARB's members have embraced narrowcasting as a means of growing their radio business, although FARB doesn't represent these interests. FARB still has a number of concerns as narrowcasting continues to evolve and has urged the government to consider all of the issues as part of the forthcoming inquiry by the ABA.

CHAPTER SIX: SOCIAL AND ECONOMIC FACTORS AFFECTING REGIONAL AND RURAL AUSTRALIA

Gaining a comprehensive picture of the social and economic factors affecting regional and rural Australia has been the subject of a number of reports and conferences in recent times. (See Attachment 7)

Amongst the findings in recent studies are the following:

- as people have left following farm restructuring, industry rationalisation, corporatisation and deregulation, services have declined.
- improved transport, mobility and access have encouraged inhabitants of smaller centres to look to regional cities for their services. Both government services and private sector services such as banking have relocated to larger population centres.
- the trend towards shopping and business outside of small towns has led to further loss of businesses from those towns.
- not all larger regional centres are growing strongly.
- not all small regional centres are losing population.
- coastal locations and locations close to the metropolitan region have tended to grow more strongly.
- regions are not simply losing population to capital cities – intra-state migration is far more complex than this.
- inland regions are generally faring poorly in terms of population growth.

Claims of loss of localism and community are prevalent throughout the country. However, they may well be the outward expression of more fundamental indicators of decline, such as the following recent events in NSW regional areas:⁹

- closure of the Heinz Watties cannery in Eden, resulting in the loss of jobs and income to the town;
- the loss of social infrastructure associated with the recent closure of the Gunnedah sports club after over 40 years of operation;
- banks continuing to close branches in small towns;

⁹ Paul Collits, Manager Policy, NSW Dept. Of State & Regional Development. Paper presented to "Future of Australian Country Towns" conference, LaTrobe University, Bendigo, June 2000.

- the loss of jobs for Bombala timber workers partly due to forestry industry restructuring and government decisions to save old growth forests;
- the loss of several hundred jobs in the Aberdeen abattoir in the Hunter Valley;
- the loss of jobs at Harden abattoir affecting lamb producers following the US lamb tariff decision;
- the loss of hotel licences in small towns as licences are bought out and relocated to the metropolitan area where they are more profitable due to gambling revenue;
- car dealerships disappearing from small country towns;
- the "sponge city" phenomenon in places like Dubbo where regional centre growth is occurring at the expense of surrounding towns;
- continued migration from wheat-sheep belt towns like Brewarrina, which has suffered a 20% population loss over 20 years;
- the loss of skills associated with migration from towns, particularly among 20-24 year olds;
- the recent decline in real estate values in country towns;
- the closure of businesses in many centres due to shrinking markets; and
- increasing race problems and crime in towns like Wilcannia related to high unemployment

While population loss or stagnation is only one among a number of potential indicators of decline, it is an important one and is the focus of much regional development discussion.

The ABS (1998) makes a number of points about the decline of small towns that place the problem in perspective. In 1996 there were 678 towns in Australia with a population between 1,000 and 19,999, one hundred more towns than in 1986 (one might dispute this definition of small towns, at both ends of the scale). These towns contained 2.5m people, or 324 000 more than in 1986. Of the 578 towns of this size in 1986, 31% have since lost population, with 10% declining by at least 10%, and at the same time, 47% grew by at least 10% (see Attachment 8 – Population Changes in Small Towns, 1986 - 1996).¹⁰ Towns in decline were usually inland, in wheat-sheep belts, dryland grazing regions or mining regions, and most towns experiencing substantial population growth were coastal, peri-metropolitan or associated with particular growth industries such as tourism or wine growing. Further, the proportion of people living in towns under 1 000 and on farms (defined as rural) also fell between 1986 and 1996.

¹⁰ Ibid

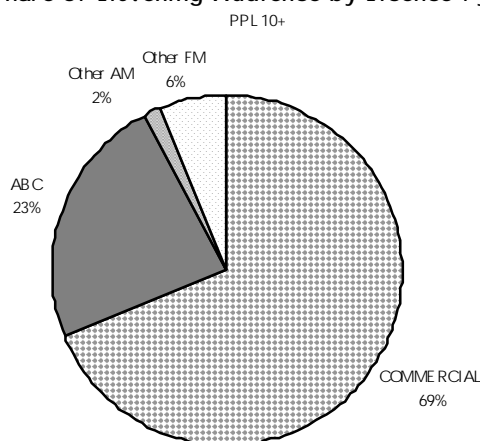
CHAPTER SEVEN: LISTENING & SOURCES OF REVENUE – HOW THE MEDIA SURVIVES

Radio is holding its audience reach over time

Commercial radio continues to have the lion's share of listening, even though in many regional markets there may be only two commercial stations, competing with four or five ABC stations and possibly four community/narrowcast stations.

Despite the increasing number of media outlets and pressure for leisure time, people spend more time with radio than with any other medium. And it's a fact that radio reaches more than nine in ten Australians every week.¹¹ It should - there are an estimated 37 million radios in this country (see Attachment 9 – *Radio All Australia Listening Report*).¹²

Share of Listening Audience by Licence Type



Source: ACNielsen, All Australia Listening Report, 2000

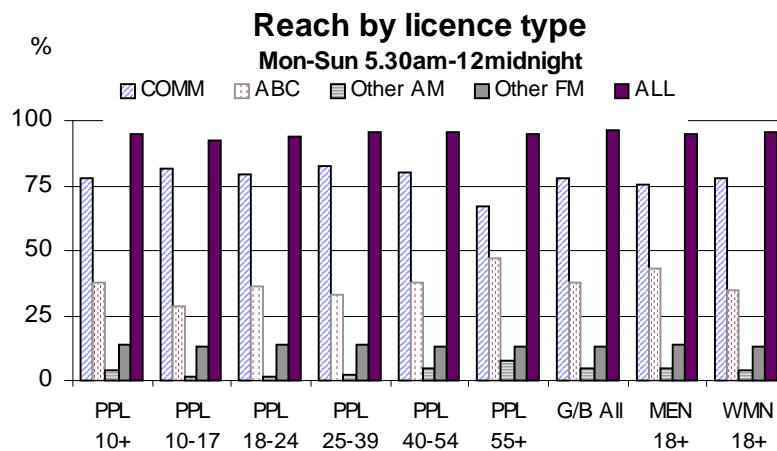
Despite far greater competition from new, non-commercial radio licences and new media, over the past decade there has been little indication that listeners are turning away from commercial radio because they are dissatisfied with commercial radio programming or radio overall. The following graph shows the reach of key audience groups across Australia by commercial, ABC, community and other AM and FM¹³ radio broadcasters. For all demographic groups, commercial radio reaches far more than any other broadcaster type. Looking specifically at the youth audience of 10-17 year olds, commercial radio reaches over eight in ten across Australia every week. The ABC, most likely via its youth network, Triple J, reaches just under three in ten.

¹¹ Radio Marketing Bureau, *Radio All Australia Listening Report*, p.6

¹² Radio Marketing Bureau, *Ibid*, p.4

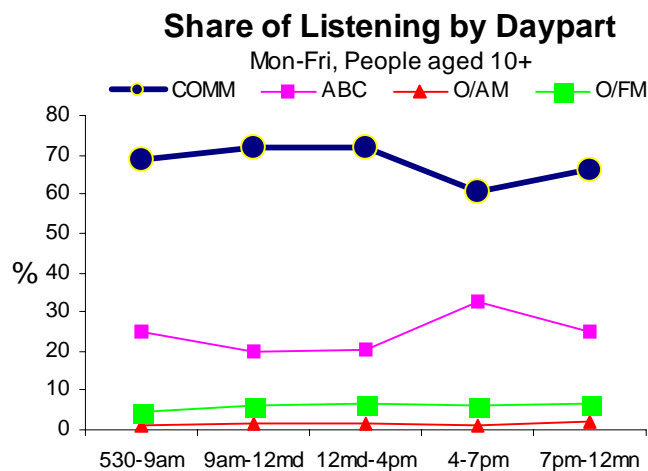
¹³ Stations that are heard in a market but are not individually listed in the survey diary.

Overall, the diversity of choice, means that radio broadcasts of one type or another attract nearly all Australians, with radio overall reaching around 95% of Australians every week.



Source: ACNielsen, All Australia Listening Report, 2000

Not only does commercial radio reach more Australians than any other form of radio broadcasting, it does so consistently across the day.



Source: ACNielsen, All Australia Listening Report, 2000

Sources of Revenue

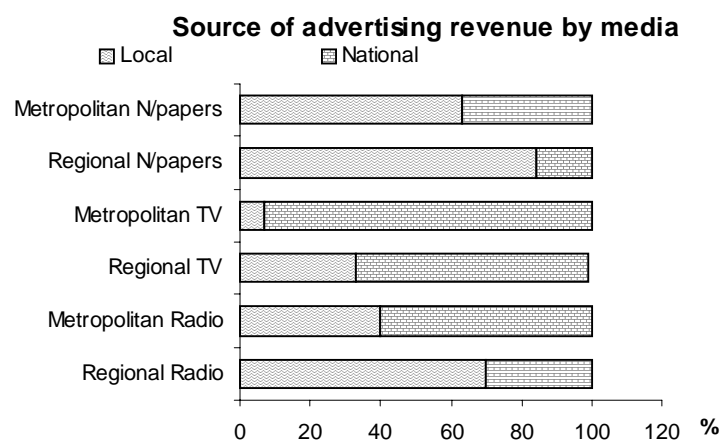
As mentioned earlier in the submission, the majority of commercial media (including radio) receive the bulk of their income from selling advertising time, space or sponsorships. Media such as newspapers and magazines also have a cover price, which is paid by the consumer to purchase the product, thus putting a value on the product in the mind of the consumer. With newspapers the bulk of this cover price is taken up in costs of distributing the publication to the retailer and in providing the seller's margin to the retailer, plus GST.

There is very little left over towards the costs of production of the publication. But in the case of magazines, they derive 70% of their revenue from the cover price and only 30% from advertising.¹⁴

Some community radio stations also receive subscription or membership fees that are really a donation and some commercial radio stations, such as those primarily broadcasting racing, may receive contributions from racing clubs and TAB's in the form of sponsorship money.

Barring these few exceptions, commercial media survives through advertising revenue. This advertising revenue has several sources. It can come from national advertisers, usually through advertising agencies and media buying houses, from local (or direct) advertisers, who are mainly small businesses in the local area served by the medium or, in the case of newspapers, from individuals as in the case of classified advertising.

Not all media obtain their revenue from the different sources in even measures. With regional radio, 70% of the revenue is from local advertisers and 30% from national advertisers. In the metropolitan markets, this ratio is 40% local and 60% national. With regional television, 33% of the revenue is from local advertisers and 66% from national advertisers. In the metropolitan markets, this ratio is 7% local and 93% national. With regional daily and non-daily newspapers 84% of the revenue is from local advertisers and 16% from national advertisers. In the metropolitan markets, this ratio is 63% local and 37% national. Note that in both newspaper markets, the local advertiser figure includes classified advertising which in the case of regional represents 39% and in the metropolitan markets 75% of the direct revenue.¹⁵



Source: CEASA, YE 31st December 1999

¹⁴ From presentation by Helen Kingsmill, Executive Director of the Magazine Publishers Association, at UNSW on 18 October 2000

¹⁵ Commercial Economic Advisory Service of Australia (CEASA), *The CEASA Report – Advertising Expenditure in Main Media – 12 Months Survey to 31st December 1999*, Sydney, 2000

CHAPTER EIGHT: FUTURE TRENDS IN RADIO EMPLOYMENT AND CAREER OPPORTUNITIES IN NON-METROPOLITAN AUSTRALIA

Radio has never employed large numbers of people in regional areas, either locals or otherwise.

The commercial radio industry is typical of many industries that today have to do more with less. In 1990 the industry employed 4,237¹⁶ people in 110 stations¹⁷ (an average of 30 people per station). Today the numbers are assumed to be similar if not the same, however they are spread across 243 licences¹⁸ (an average of 17 people per station).

A survey recently conducted by FARB in relation to this issue also revealed that, overwhelmingly, the majority of employees in regional radio stations are drawn from either the region to which that radio station broadcasts, or some other regional area. A small percentage of staff in regional radio stations are drawn from metropolitan areas.

Of the 157 regional stations that responded to the FARB survey, 1,100 (70%) people employed were locals, while 346 (22%) were employed from other regional centres. Only 123 (8%) were employed from metropolitan markets.

Employment trends

Commercial radio stations' expenditure on wages and salaries and employee on-costs gives a guide to employment trends in regional and rural markets.

Wages and salaries show a steady trend upward in all but small regional markets where the trend is consistent with previous years. Employee on-costs are either flat or slightly trending down since 1996, but there appears to be no evidence of a severe downturn in employment conditions in regional Australia.

The Australian Broadcasting Authority (ABA) collects this expenditure data annually from radio stations around country.

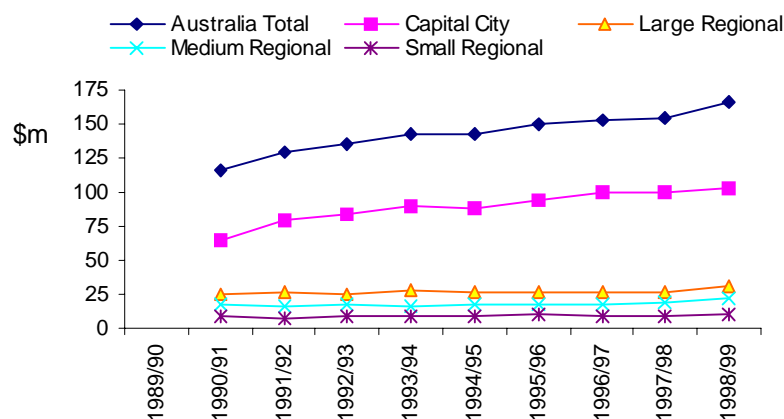
From the graphs following there is no evidence of a reduction in employment by commercial radio in regional areas.

¹⁶ Australian Broadcasting Tribunal, *Broadcasting Financial Yearbook 1990-1991*

¹⁷ *ibid*

¹⁸ ABA & FARB records

Wages and Salaries 1989/90-98/9

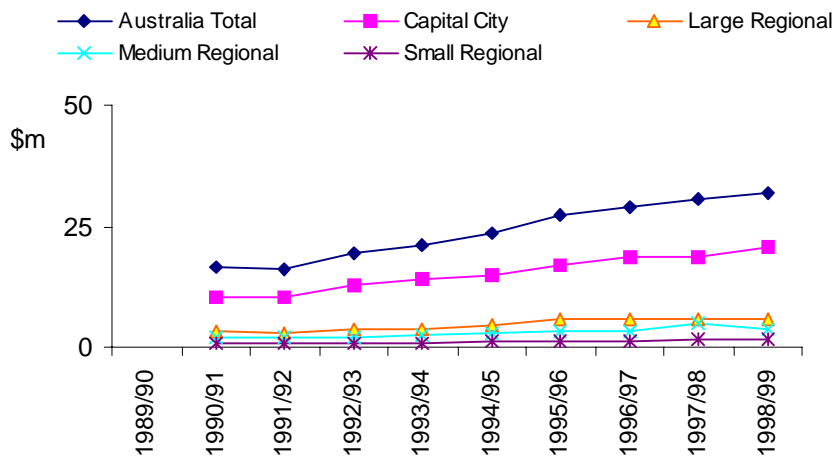


Source: ABA Broadcasting Financial Results

Employee on-costs are also collected by the ABA and are defined as

“On costs” associated with employees of the radio service including such items as superannuation, workers compensation, insurance, payroll tax and fringe benefits tax.

Employee Oncosts 1989/90-98/9



Source: ABA Broadcasting Financial Results

Employee on-costs are either flat or slightly trending down since 1996, but from these figures there appears to be no evidence of a severe downturn in employment conditions in regional Australia.

CHAPTER NINE: COMMERCIAL RADIO VIABILITY AND PROFITABILITY

Changes in Advertising Since the Mid 1980's – The Consequences for Radio

Like the majority of commercial media, commercial radio stations are funded primarily from advertising revenue. As with any other business, commercial broadcasting can only exist if it is economically viable, that is, if the revenue from advertising is sufficient to cover expenses and return a fair margin for profit. Thus, as a result, any change in the availability of advertising revenue for radio stations has repercussions for the operation and owners of those radio stations.

There have been developments within the radio and television industries since the mid 1980's which have meant that regional radio has had to change and adjust in its role as an advertising outlet, and this has compromised the revenue of radio in regional areas. These developments include television aggregation and as already discussed, new radio licences.

Television Aggregation

In the mid 1980's, the Australian Government determined that all Australian television viewers, no matter where they lived, should have equal television choice. The first aggregated stations went to air in 1990 and others were progressively rolled-out. The method chosen to introduce equalisation was to amalgamate adjacent areas, each served by three individual television stations, into one very large 'market'. The market size, in each case, was to be around one million people. The three stations thus had to operate throughout this new and larger market in competition with each other, whereas once they had approximately one third of this market to themselves.

Although it may not have been the intention of the Government at the time, the actual result of this plan was to extend the influence of the television networks – 7, 9 and 10. A glance at television program guides demonstrate effectively that program decisions are made for aggregated markets in the capital cities, and local content is extremely low.

Effectively, aggregation more than trebled the amount of television airtime available in each market and, as all the available advertising windows in the network-generated programming have to be filled with advertising (with TV the on air person can't talk longer or play another song), rates tumbled.

From day one of aggregation there were bonus advertising spots, free 'trial' campaigns and the like to attract local advertisers. All this was a matter of survival for the television stations. The need to service heavy borrowings to establish new transmission and studio facilities, in a time of recession, meant that the two 'new' services entering each part of the aggregated area had to find revenue – fast! So came 'television at less than radio rates', free production, deferment of accounts, contra deals – and higher salaries for good sales people (usually from radio).

Where previously the participating television stations had been, at worst, friendly rivals in non-competing markets, they were now engaged in a dog-eat-dog battle. Immediately, the effect of this warfare began to make an unfriendly impact on the revenues of radio, newspapers and other media. Competition between the regional TV stations brought everyone into the fight – radio, television, newspapers, Yellow Pages, catalogues. TV decided on a battleground called PRICE, and everyone felt the effect.

Of course, low price was the only way TV could go as each station was now only delivering around a third of the audience delivered by the previous one commercial station in the market, but the inevitable consequence for radio was that it lost advertising dollars and had to do more with less revenue, and with greater competition from other forms of media. This has, naturally, been a challenge for commercial radio in regional areas, but FARB submits that commercial radio has risen to the challenge, and its maintenance of audience numbers shows that it continues to provide a satisfactory service to its public regardless of these new pressures.

Introduction of More Regional Media

The introduction of more media in regional areas has meant that more media choices are available, but there are not currently substantially more consumers for this media. Therefore, media consumption has had to become more fragmented, and consequently more difficult for advertisers (the majority of whom in regional markets are small businesses) to achieve a sufficiently local audience at an affordable cost. This has been a further strain on regional radio in terms of the ability of each station to attract advertising dollars. This combination of factors – the introduction of the *BSA* and removal of viability as a planning consideration, the consequent increase in the number of radio stations, the increase in other media, and television aggregation – and the reduction in revenue which resulted, meant that radio stations in regional areas had to find new ways of operating on a lower budget.

Consolidation and networking was one solution, however, there are many operators who have relied upon new technology to reduce costs and staff to maintain services and viability.

Commercial Radio Viability

The reason for some regional stations networking lies in the outcome of the ABA's planning process and the abolition of the consideration of "commercial viability" in allocating licences. This has also resulted in an increase in services and competition, and reduction in advertising dollars per broadcasting service. In this economic climate, networking by regional broadcasters is a rear-guard action to survive in an already fragile regional market. The vulnerability of some smaller markets is such that if the station was not networked it is likely that the licence would be handed in, leaving the market without a commercial service and therefore less diversity. Networking supports the under-performing markets and ensures consumers are not disenfranchised.

Viability means the ability of a business to exist. A broadcasting station must be financially viable if it is to do its job effectively and provide a worthwhile public

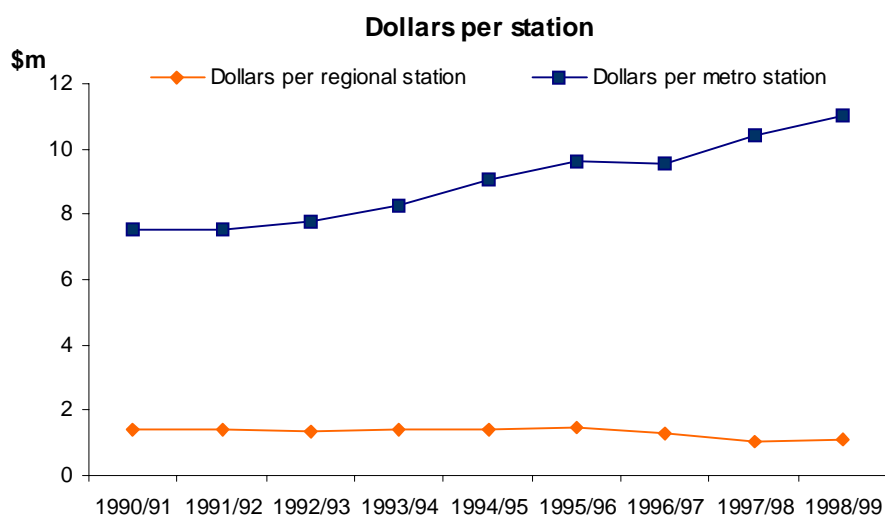
service of information and entertainment. A substantially weakened station cannot provide a full service.

As far back as March 1992 FARB, in its submission to Government on the *Broadcasting Services Bill*, pointed out that the fundamental premise of the Bill that “more is better” ignored commercial reality. FARB argued that the criteria for introducing additional services should be whether a market could sustain such services and whether better, more diverse programming would result. The commercial radio industry at the time was in an extremely fragile state and, as discussed above, FARB observed that the introduction of additional competition would only spread advertising dollars more thinly and expenditure offsets would inevitably cause a serious diminution in services. FARB anticipated that if this were allowed to happen the number of failures would increase, when around half the industry was already in a loss situation. In its submission, FARB pointed out that the enormous gap between economic theory and practice was illustrated by the statement in the explanatory notes to the Bill that “competitive pressures force commercial licensees to respond to audience and community needs and put downward pressure on the excess profits a commercial operator may hope to earn”. These predictions have proven to be accurate and it is to be hoped that FARB’s judgment on such matters will be allocated appropriate weight in this inquiry.

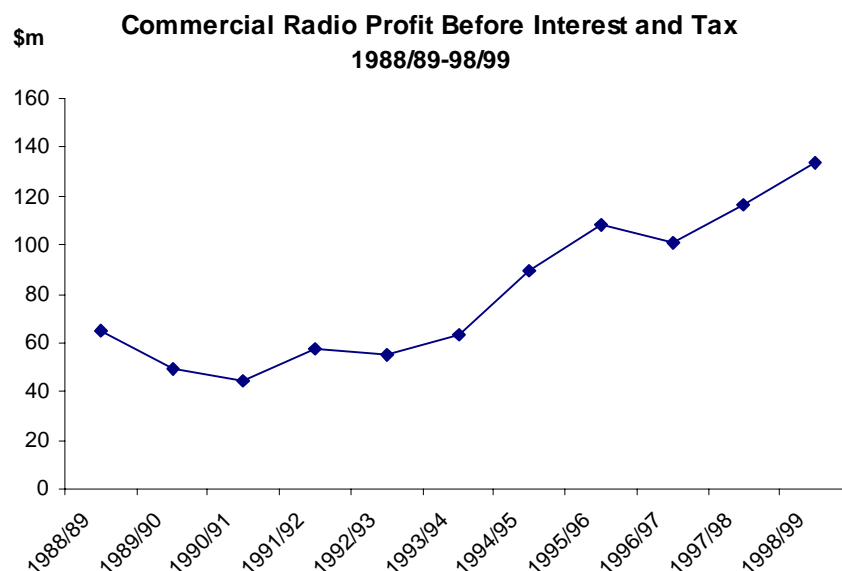
Commercial Radio Profitability

Over the period, 1990/1 to 1998/99, the increase in licences without a simultaneous increase in advertising expenditure in regional Australia has resulted in a significant slide in commercial stations’ average gross earnings.

In 1990/91, average dollars per regional commercial station were \$1.4m. By 1998/9, each station’s average earnings had declined by \$310 000 or 22% to \$1.09m.



Source: ABA, Broadcasting Financial Results



Source: ABA, Broadcasting Financial Results

Commercial radio has produced consistently strong results, over the past decade, as the graph above of Profit Before Interest and Tax (PBIT) shows. However, the graph hides a number of crucial stories about what is happening, particularly in regional and rural Australia.

Over the past five years, the number of profitable stations has decreased from 73% of all stations, to 69% of stations. The proportion of unprofitable stations has increased from 27% of all stations, to 31%.

When we look at the profitability of those stations that are making money, we see significant growth. Since 1994, these stations' profitability has increased by 53%. Over the same period, the number of unprofitable stations has grown by 61%, and they are 32% more unprofitable than they were 5 years previously.

Closer analysis of the profitability of regional commercial operators shows that larger and medium sized operators are fairly consistent with the overall picture for Australia. That is, approximately seven in ten are profitable, but three in ten are not.

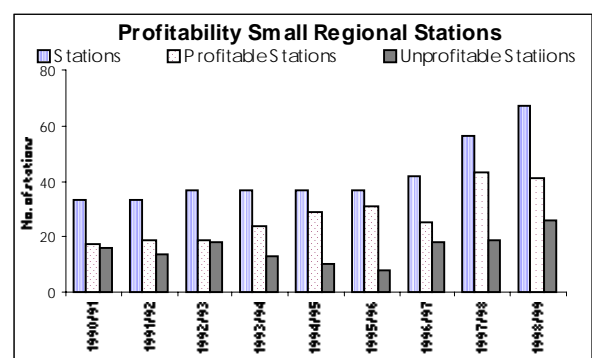
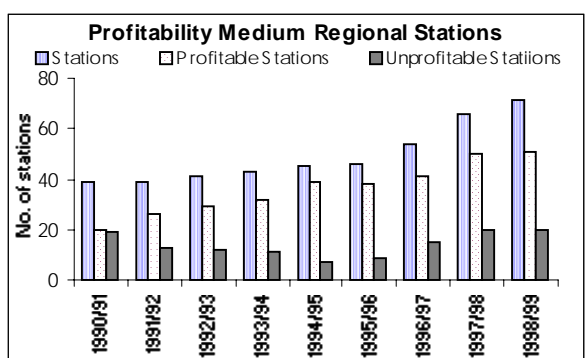
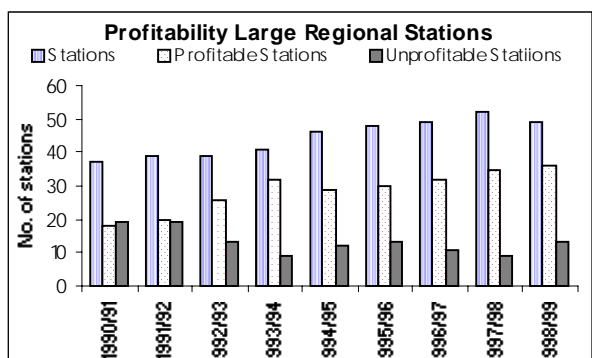
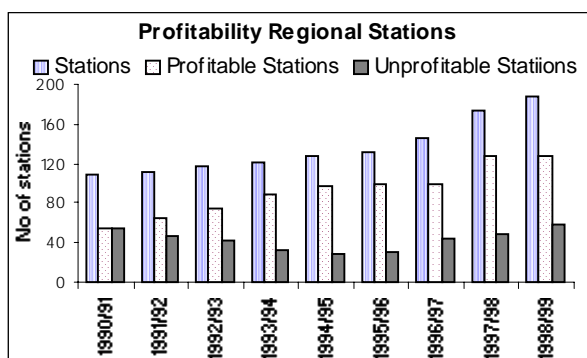
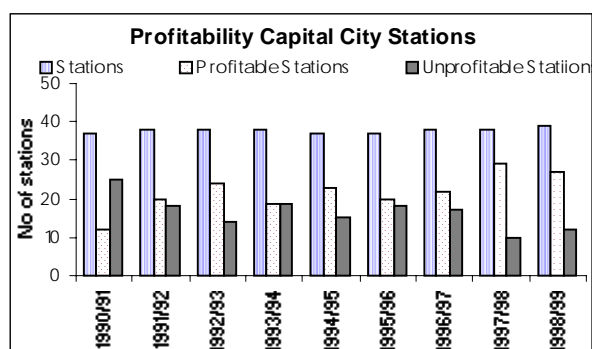
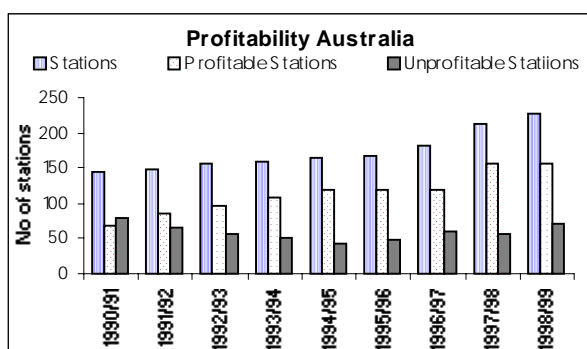
Larger regional markets¹⁹ have actually performed very well, with 10% more stations operating profitably. However, they have not experienced the same explosion of licence growth that has occurred with the issue of the s39 licences in medium and small markets.

¹⁹ The ABA defines radio markets as follows

Metropolitan	Sydney, Melbourne, Brisbane, Adelaide, Perth, Darwin & Hobart
Larger Regional	Population 100 000+
Medium Regional	Population 40 000-100 000
Smaller Regional	Population less than 40 000

Over the five years to 1998/99, there were 26 new licences issued in medium markets and 30 in small markets. The result was a 14% decline in the number of profitable stations in medium markets and a 17% decline in small markets. This, in turn, impacts unfavourably on the number of unprofitable stations, which in medium markets over five years has gone from a sixth of all stations to almost one third. The trend is equally concerning in small markets, where just over a quarter of stations were unprofitable, in 1994/5, but five years later, that figure had risen to four in ten stations.

Apart from medium markets, the ABA's expenditure data shows no dramatic change in costs which would explain the trend toward more unprofitable stations. The more likely explanation is that the increase in the number of stations has not been matched by an increase in advertising revenue.



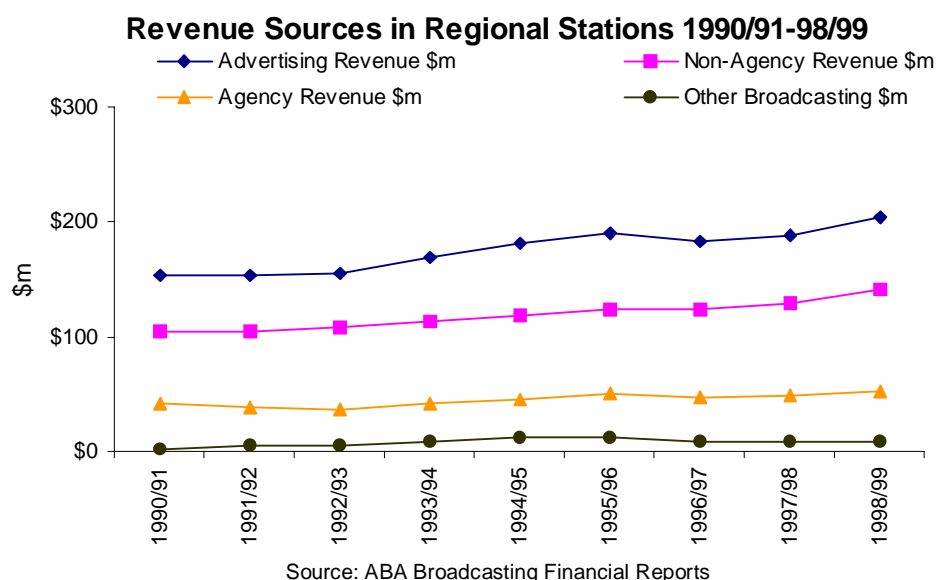
Source: ABA Broadcasting Financial Results

Regional radio's share of advertising revenue

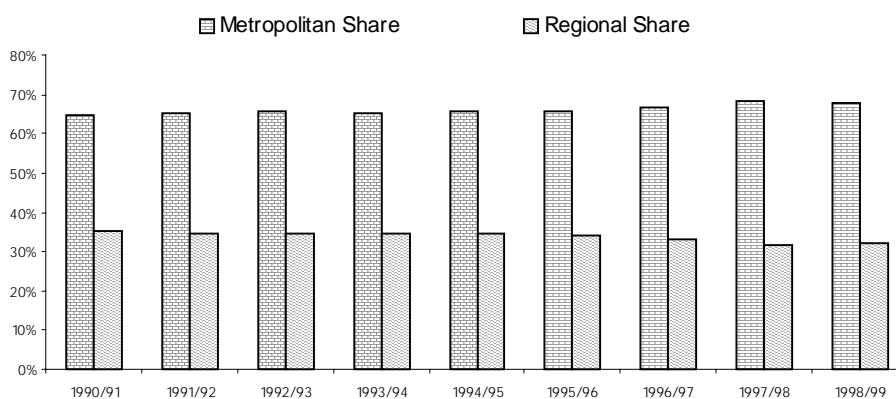
Over the nine years to 1998/99, advertising revenue in regional areas has increased by \$51million. This is a third of the \$152.3million increase, which was experienced in metropolitan markets. Over the same period, the number of regional licences increased by 78 licences from 109 to 187 licences. This is compared to the two licence increase, experienced in metropolitan markets.

Clearly, in regional markets, a relatively small revenue increase was shared between many more radio stations – putting further pressure on already tight margins, and driving down revenue per station. Further analysis of the \$51million revenue increase in regional markets shows that a fifth of it came from advertising agencies (national advertisers) and 73% came from non-agency, or direct (local advertisers).

This suggests that there is no centralisation of advertising revenue and that local commercial radio stations are still providing local businesses with access to the local community.



Metropolitan Stations vs Regional Stations Share of Revenue 1990/91-1998/99



Source: Advertising Expenditure in Main Media compiled by Commercial Economic Advisory Service of Australia 1990-1999

There has been a decline in regional radio's share of overall commercial radio revenue over the period 1990/91 to 1998/99. At the start of the period, regional revenue accounted for 35.4% of all revenue, but had declined to 32.14% by the end.

CHAPTER TEN: LOCALISM

What is Localism?

FARB is of the view that localism, as such, should never be prescribed and would submit that the Committee not consider quantifying and containing this aspect of programming. To be effective, commercial radio has to be free-flowing and able to respond to the needs of the community at a specific point in time and to be sufficiently flexible to cope with changing social mores and behaviours.

Having recognised that some networking was an essential economic decision to ensure the survival of radio broadcasting services in regional areas, the crucial question of whether this has affected commercial radio's ability to provide regional audiences with a relevant and appropriate service needs to be considered. Before proceeding, it is necessary to define "localism" in order to be able to properly address the issue of whether regional radio is continuing to satisfy its audiences.

Although the term is not legislatively defined or imposed, FARB submits that the most appropriate meaning of "localism" is that provided by the Concise Oxford Dictionary:

- "attachment to a place"
- "favouring of what is local"

Localism is an overall product and culture, and should not be measured according to how much content is produced by a local announcer or how much is produced in a local radio station. Localism is to be found in a radio program or format which could be a combination of locally-produced material, and also networked programs from metropolitan stations such as the *John Laws Show*. Localism doesn't have to be someone in the studio in the town to which the program is being broadcast. It is about what comes out of the speakers from the consumer's perspective – it is material of relevance and appeal to the local audience.

It goes without saying that commercial radio operates in a highly competitive environment. Broadcasters are conscious of the programming and service expectations of their audiences, who rely on their radio station to entertain them and keep them informed, and a very important component of information programming relates to the local scene. It needs to be recognised, however, that although most people want some degree of localism in their radio programming, there is a point at which the community has available to it a satisfactory local product. It can be safely assumed that people also want access to the wider world. As well as local news and information, they are also hungry for what their metropolitan counterparts receive from radio. This is a difficult balance to strike, but commercial broadcasters are clearly conscious of the Government's policy to provide rural Australia with the same level of services available to their metropolitan counterparts.

Undoubtedly, localism is an important element in broadcasting, which as far as possible, should be retained. FARB submits that localism should not dominate to the point of excluding outside influences as well. Shades and degrees of local coverage are determined through marketplace forces. These markets continually evolve as populations change (see Attachment 10) and social and economic factors impact upon them. FARB believes that its members should be able to choose the kind of local programming and associated services they broadcast, provided they are meeting their requirements under the *BSA* as presently constituted. Each market will differ. Some will have access to alternative radio stations and other media services not available to others, and thus it is imperative that each licensee be left free to approach localism as it relates to their market at a particular point in time.

FARB therefore submits that the individual commercial radio stations in regional areas are themselves in the best position to determine what an audience does and does not want from radio, and that it is up to individual broadcasters to ascertain what combination of local and networked programming will meet the local market's needs. The results of a recent survey conducted by FARB amongst regional radio station members illustrate how commercial radio in regional areas is continuing to achieve localism and is satisfying radio audiences in regional areas.

Locally produced programs are a predominant feature of almost every regional radio station. Local news, sport and weather are provided throughout the day along with local government news and agricultural, police and court reports. Access to airwaves is also provided in emergency situations. No doubt the Committee will receive submissions from regional operators which outline in more detail the level of local information they provide.

How Has Networking Affected Localism?

Networking allows regional radio audiences to have access to a wider variety of radio programming, without compromising localism, as both networked and local radio programming are interwoven to produce a comprehensive service.

Consolidation of ownership and networking introduces a professionalism and wider range of programming variety to stations in regional areas than they would, in many cases have had.

Commercial radio networking is more 'local' than television networking, as commercial radio networking consists almost exclusively of Australian-produced material, whereas television network programming is predominantly from overseas. With the exception of some music, Australian radio content is produced within Australia. Commercial radio has established Australian music content quotas which vary from a minimum 25% down to 5% depending on the program format of the station. Commercial radio has also introduced minimum quotas for "new" Australian music (released in the previous twelve months) which ensures that Australia's youth, in particular, is exposed to the latest local music whether they live in metropolitan or regional Australia.

Additionally, it should be remembered that until the late eighties many regional stations did not operate 24-hours a day, largely because it was too expensive to operate “live” midnight to dawn shifts and audience demand was simply not there. Networking and the introduction of sophisticated new technology has enabled both networks and independently owned stations to now deliver listeners a 24-hour service.

The recent FARB survey showed that most networked programming includes a locally-produced “live” breakfast show in many cases extending throughout the day and moving to full networking in low-rated day parts including regular local news, weather, sport, community service announcements and advertising.

FARB submits that networking has not compromised the nature of local radio broadcasting in regional areas, but has in fact enhanced its ability to satisfy regional audiences. Indeed, it is through using networked programs from metropolitan and regional areas, in combination with locally-produced content, that commercial radio has succeeded in achieving the *BSA*’s objectives of diversity, responsiveness to audience needs, the provision of high quality and innovative programming, and appropriate coverage of matters of local significance in regional areas.

Serving the Regional Market

Regional radio is made up of 211 stations of which 201 are FARB members. They fall in to three distinct categories determined by the ABA for its annual revenue returns - small (68 stations with a market population of less than 40,000 people), medium (74 stations with populations ranging from 40,000-100,000) to larger (53 stations with a population of 100,000+). The remaining stations on air are in the metropolitan markets of Sydney, Melbourne, Brisbane, Adelaide, Perth, Darwin and Hobart.

The recent survey of FARB members shows that there are at least two commercial services in almost every regional market, while some of the larger provincial markets have up to four. However, due to overlap with adjoining markets, some markets have up to 10 commercial signals that can be heard.

The vast majority of markets have four ABC national services (five in some larger markets) and at least one community service with the exception of Western Australia, which has very few community services in regional towns. In addition, there are almost 70 aspirant community broadcasters trialling services in regional towns throughout Australia.

There are an estimated 1600 low power open narrowcast services licensed across the country with at least one operating in every major centre. The ABA’s planning process has rolled out another 170 high-powered open narrowcast services, predominantly in New South Wales, Queensland and Western Australia providing racing services.

Regional daily newspapers serve the larger centres while the vast majority of towns have a weekly or bi-weekly newspaper with centres being served by a mixture of up to five dailies, weeklies or bi-weeklies.

Community Contribution

Regional commercial stations make a major contribution to local and national community based organisations.

In the 12 months to August 2000 the 157 regional stations (78% of regional/provincial stations) that responded to the FARB survey raised more than \$7.7 million dollars for local organisations and provided almost \$17 million worth of commercial “air time” free of charge for local community service announcements. While the average amount raised for community organisations was almost \$50,000, some stations raised up to \$750,000. Two stations provided \$750,000 worth of commercial air-time for unpaid local community service announcements, representing a substantial amount of advertising inventory.

Networking

Networking is not a new phenomenon for radio as is shown by the following two extracts from a book on the Macquarie broadcasting network²⁰.

Since the birth of the Macquarie Network in 1938, development of the “Network Concept” in commercial radio has been instrumental in providing a powerful medium of mass communication. Our Network objectives have always been to serve the public interest, convenience and necessity, with resources generally beyond the capacity of an individual station.

Today (1970) the Network comprises 30 commercial stations located in every State of the Commonwealth, representing 26% of all commercial radio licences in Australia. Five of the six stations licensed by the Government in the last three years are members of the Network.

In addition to the “Network Member” stations, programme services are made available to many non-Macquarie stations, and as a consequence, news services are provided to 27 radio stations in New South Wales and to a further 17 stations in other States. Our Racing and Sporting service is heard on 50 stations throughout Australia, as are our Political and Current Affairs commentators. The circuit mileage or post office landlines required to link our stations extends over some 12,000 miles.

Through the key station of 2GB Sydney, Network stations combine to ensure that approximately 4/5ths of our population are entertained and kept informed of local and overseas events.

Many of the radio standards of today were originated by the Macquarie Network and we continue to accept the national responsibility of using the broadcasting medium to bring to radio listeners full and impartial presentation of News and Public Affairs, of men and events important to public understanding.

Macquarie Broadcasting Holdings Limited. Annual Report, 1970

²⁰ *Hear Yourself Think, The History of Macquarie*, by David J Towler, Published by 2GB, 1986.

Additionally, in a special lift-out section of the broadcasting industry trade magazine, “Broadcasting and Television”, October 1, 1959, was an announcement reading:

“2GB is proud to be unique among commercial broadcasting stations throughout the world. For no other individual commercial broadcasting station anywhere in the world originates and provides more programmes and services on relay than 2GB does by means of permanent landline. 2GB’s landlines range in length from 250 ft. connection to the Australia Hotel for Breakfast with Beth Nicol right up to the 2,691-mile landline to Perth for the racing and sporting hookup.”

And in the year 2000 the majority of regional stations are engaged in receiving some form of network programming, whether it be national news, syndicated programming or network programs provided by a central hub.

The reasons for networking come down to four basic issues – community needs, competitive issues, economic necessity and programming variety.

By offering talk and music based programs from central sources, regional stations are offering the community a wide choice of radio listening and keeping them in touch with topical issues which are important to all Australians. Commercial broadcasters are seeking to provide regional audiences with the same level of radio service provided to metropolitan audiences.

Regional commercial stations also need to provide programming to compete with and complement other stations and media in the market, particularly in competing with the ABC for the youth (2JJJ) and older demographics.

While economic necessity generally points to network programming being cheaper than producing local content, it is not always the case. Some Members have pointed to higher costs to purchase some syndicated programming.

Of the stations that responded to the FARB survey, 48% take various amounts of programming networked from regional centres, 40% varying amounts from metropolitan stations and syndicators, while 12% of stations take some of their programming from both sources.

The prime reason for utilising network programming is that it introduces greater program variety for listeners. With the introduction of s.39 FM services in the regions, operators generally now provide the option of talk back on the AM stations utilising local talent as well as metropolitan personalities such as Alan Jones, John Laws and Derryn Hinch, as an alternative to the music-based FM programs. This is a move which has proven popular, with the metropolitan talk programs out-rating the locally produced music programs on a regular basis in some markets. The John Laws program, for instance, is extremely popular, being heard in more than 60 markets across the country.²¹

²¹ Sky Radio data

With the injection of local news, sport, weather, advertising, community service announcements, stingers, promotions, station identification and time calls into networked programming, it is virtually impossible for the local listener to establish that the program has not been generated from the local station.

Radio Has Not Deserted "The Bush"

Commercial radio is by nature a business, which has been serving regional Australian communities for many years. Other businesses which have serviced the community, such as banks, the meat industry, energy, water and transport have all consolidated their provision of services to regional Australia and in many cases ceased to have local infrastructure and a local presence.

However, commercial radio has continued to stand by the communities it serves without access to government grants or other rural assistance programs. Instead of pulling out of regional communities, regional commercial radio has re-invented the way in which it serves the community through restructuring and new technology that has enabled innovative programming and distribution.

The recent report entitled *Time Running Out* by the House of Representatives Standing Committee on Primary Industries and Regional Services highlighted what it saw as the danger of Australia being divided into "two nations" – those in the metropolitan area and some large provincial areas continuing to gain improved accesses to all areas of infrastructure while those in the traditional heartland of regional and rural Australia face the prospect of declining access to many services.²²

This is not the case with commercial radio which is providing regional and rural communities with the same level of services and quality of programming which can be heard by listeners in metropolitan markets.

The Overseas Experience

Localism and networking are not phenomena unique to Australia. New Zealand's de-regulated market has resulted in a massive consolidation of ownership with over 90% of NZ radio owned by The Radio Network (Clear Channel/ARN Australia) and Canwest/RadioWorks. The remainder is made up of a few independent owner/operator concerns.²³

The United States has undergone the same networking revolution. There were more than 10,500 commercial radio stations operating in the US at the end of 1999, plus another 2,000 non-commercial stations.²⁴

²² House of Representatives Standing Committee on Primary Industries and Regional Services, *Time Running Out: Shaping Regional Australia's Future*, Canberra, 2000, p.ix

²³ Regal, M., 'How to Buy into NZ's 180 Radio Stations' Oct., 2000 *B & T Weekly*, p.20

²⁴ 'The Feed Starts Here' XV(16) *Radio Ink – The Voice of Radio Revolution*, pp.22-26

The U.S. broadcasting company Clear Channel owns more than 1,000 licences, whilst the number two placed conglomerate, Infinity, owns around 200 and has a controlling interest in another operator, Westwood One. The American Broadcasting Company (ABC) also owns about 70 stations and several networks. Like Australia, there is an increasing practice in the US of providing programming from central hubs to markets up to 600 kilometres away.²⁵

²⁵ Communication from Terri Rabel of the USA's National Association of Broadcasters

CHAPTER ELEVEN: THE EFFECT OF THE BSA AND NETWORKING ON NON-METROPOLITAN COMMUNITIES

In deciding to introduce more radio broadcasting services into regional areas, the ABA noted in its first planning process determination under the *BSA* (Licence Area Plan for Mildura/Sunraysia) that the impact of new services on diversity may vary. The ABA said that in the case of commercial radio formats, the outcome of additional services may include lengthy periods of competition between similar formats, adding little to diversity. But it pointed out that it was not the ABA's role to ensure that an additional commercial broadcasting service would not simply mimic the format of an existing service in the area, playing the same style of music or even the same songs. Further, it stated that it is not the ABA's role to regulate formats of commercial services.

It continued:

“As the ABA has little control over the legitimate programming choices of new market entrants, it is truer to say that planning of additional commercial broadcasting services is likely to promote the availability of a diverse range of services in markets, but that in the case of commercial radio broadcasting services, it cannot ensure it”.

In considering the *BSA* objective of providing “a regulatory environment that will facilitate the development of a broadcasting industry in Australia that is efficient, competitive and responsive to audience needs”, the ABA suggested that introduction of competition was intended to play a key role in promoting the objective.

The ABA saw the move to a more open and competitive regulatory regime as being supported by changes to the conditions attached to commercial broadcasting services, both television and radio. Importantly, the ABA stated that the condition that a service should merely ‘contribute’ to the provision of an adequate and comprehensive range of broadcasting services in a market would enable bolder experimentation with formats, continue industry trends towards networking, and also permit the commercial survival of services with a smaller share of the market than may previously have been possible.

In discussing the objective of 3(f) of the *BSA*, the ABA proffered the view that additional services may well permit additional high quality and innovative programming to be broadcast, whether in the form of innovative new ideas for local services or top quality programming ‘networked’ from other parts of the country. The ABA also noted that planning decisions were liable to affect coverage of matters of local significance (required under object 3(g)) in several ways. In general the ABA noted that planning of additional services might be expected to promote appropriate coverage of local matters of significance, where there is some prospect those additional services might be taken up. However, a number of submissions from existing broadcasters argued that the introduction of competition to small markets would diminish the ability of existing broadcasters to produce programs locally. The ABA observed that this may hinder appropriate coverage of matters of local significance, if the new services did not redress the deficiency by covering matters of local significance themselves.

Despite the fact that the introduction of so many new services has led (as predicted by existing broadcasters in 1992) to commercial broadcasters in regional areas being less able to produce their entire programs locally, and to a greater tendency towards networking of regional radio services, we submit that commercial radio has nonetheless continued to provide adequate regional radio services. The results of the recent survey conducted by FARB amongst regional radio station members demonstrates how commercial radio in regional areas has succeeded in continuing to cover matters of local significance in regional areas despite the fact that almost all radio stations in regional areas have had to network their programming at least to some extent.

The very nature of commercial radio is to stay local and community focused, but it must be remembered that content need not necessarily be produced locally. The new digital production and distribution technology allows programming to be made in capital cities or regional hubs, and “localised” with editing for local call signs, comments, news and weather. The listener would largely be unaware that the program was not being made live in the local studio. However, it allows them to gain access to on-air talent, which their individually owned and operated local station could never afford or attract. Thus, networking has been a bonus for regional radio audiences as it has provided them with a wider range and higher quality of programming, whilst maintaining the necessary degree of localism required to satisfy regional audiences.

Australia’s leading social researcher, Hugh Mackay, says that it is no secret that morale in rural and regional Australia has been dented by rising levels of unemployment (especially youth unemployment), falling incomes and the fracture of local communities associated with the withdrawal of community and commercial services from regional areas.

Mackay continues:

“Yet ‘the bush’ is the place where the sense of community is thought to be stronger than in any urban or suburban setting. If rural and regional people lose their sense of being community – their sense of connectedness – the personal, social and cultural consequences would be severe.

Regional media – both radio and print – play a crucial role in sustaining the members of rural communities, in keeping them informed about *local* affairs, and in preserving their sense of regional identity which is so important to communities under threat.

Everywhere, radio is playing the increasingly valuable role of providing a sense of *intimate companionship* to its increasingly loyal listeners. Nowhere is this effect more important than in regional and rural Australia.”

CHAPTER TWELVE: THE POTENTIAL FOR NEW TECHNOLOGIES TO PROVIDE MORE REGIONAL RADIO SERVICES

Radio and the Digital Communications Revolution

Commercial radio intends to play a significant role, alongside national and community radio broadcasters, in the digital communications revolution that is sweeping Australia and the world at large.

Benefits of Digital Radio

It is worth noting in this submission the statement made in the *Final report of the Digital Radio Advisory Committee (DRAC)*, published in 1997 on the benefits of digital radio broadcasting (DRB). While the report is now more than three years old, the statement on what DRB can do remains true:

- Provide better reception of radio services than current amplitude modulation (AM) and frequency modulation (FM) radio broadcasts;
- Deliver higher-quality sound than current AM and FM radio broadcasts to fixed, portable and mobile receivers;
- Carry ancillary services – in the form of audio, images, data, and text – providing information associated with the station and its audio programs (such as station name, song title, artist's name and record label, as well as news, weather, time, traffic, and other information) and other services (eg paging and global satellite positioning); and
- Reconfigure capacity allocations to provide different kinds of services (eg change from a single stereo music program in one time slot to two mono talk programs in another).

Will Listening Change?

From a practical perspective digital radio will not change the essential characteristics of radio's relationship with its listeners. It will still be the listeners' "friend" and will accompany them through their day. But, digital radio will offer listeners more diversity and choice and give different groups of listeners different reasons to buy a digital receiver. Listeners who tune to the AM dial for Talk or "Gold" (hits of the 50s and 60s) formats for example, will benefit from CD quality sound. For travellers, there is no longer the lottery of tuning in or hearing poor or fading reception. For the young, for whom digital technology is now the required benchmark, digital radio will bring them more functions, such as interactivity and 'downloadability'. For consumers, there is downloadable information about products, local entertainment, services, contact details, electronic coupons and special offers. For sports fans, there is the knowledge that their radio will deliver the race, match or game or the results as they happen plus offer associated statistics and information.

Rural and Regional Benefits

On top of all of the above for the rural and regional listeners, particularly those in remote areas, there could be more interactivity with the station and its content.

Depending on the standard adopted in Australia, broadcasters are likely to have the ability to divide their signal into a number of services to enable them to "multi-channel". This division could be varied at different times of the day to enable niche programming at the appropriate time, such as detailed weather reports tailored for the farming community, reports from stock and other market sales and local and rural news bulletins. Added to this is the ability of the technology to deliver supplementary or more detailed information by way of text to screens, either as part of new digital receivers or to a standard PC with a digital radio card installed.

While this is the potential of the technology, it will be dependant on the support of consumers who will need to buy new receivers or add DRB sound cards to their PC's. The support of advertisers will also be essential to secure the initial investment and ensure the continued viability of such new services.

Advertising

From an advertising perspective, as advertisers move from "mass" advertising to "permission" advertising they will need to get closer to consumers and get to know their likes and dislikes.

Programmed Associated Data (PAD) such as on-screen pictures, messages or downloadable files will boost the impact of their communication.

PAD services can provide product information, or electronic vouchers, at the same time as the listener is hearing a conventional radio commercial. Memory cards or hard discs, similar to those in PC's, inside digital radios could collect and store such information for the listener to retrieve and use later.

Digital radio might be the solution as to what to do with telephone numbers, store locations and all the regulatory "small print" which clutters many radio commercials now.

Non Program (specific) Data (NPD) such as stock reports, weather or news headlines can also boost the advertisers' relevance to the listener.

From the rural and regional consumers perspective, this new technology could provide new and more convenient opportunities to purchase goods and services.

There is much talk of digitisation turning TV from a "lean-back" medium to a "lean-forward" medium, demanding more attention and creating interactivity. Unlike TV though, digital radio will still allow the listener to do other things whilst listening - and that difference will be important as people become increasingly "time poor " and guilty about taking "time out".

Data Services

Data services have the potential to generate some exciting opportunities for digital radio – both from the consumers point of view as well as the providers.

On a basic level, text screens could give details of the programme being listened to, or provide news, share prices, weather, traffic reports, information designed specifically for rural audiences, such as sale reports, stock (cattle) prices, local sporting results and direct response numbers to accompany on-air commercials.

More complex screens might allow digital receivers to show the compact disk cover of an artist whose song is playing on the radio, a race finish or maps of bushfire zones or drought areas.

Data services will either relate to the "on air" programming content - Program Associated Data (PAD), or not relate to "on air" content - Non-programme Data (NPD).

USO

It should also be noted that there is scope for digital radio transmission to become an effective way to deliver very low cost (albeit limited) internet access to rural and remote communities (a social objective or 'universal service obligation' [USO] of the government). DRB has bandwidth capacity to cope with a wide range of internet services and this feature has been successfully demonstrated in Europe and Asia.

FARB's DRB Submission to Government

In its recent submission to Government on the principles for the introduction of DRB in Australia, FARB proposed that digital radio service be made available to rural and regional consumers at the same time as metropolitan areas. Following is a relevant extract from that submission:

Regional Broadcasters

FARB proposes the allocation of available L-Band to all commercial, national and high-powered community and narrowcast broadcasters in regional Australia. Allocation would be made on a use-it-or-lose-it within eight years basis to incumbents wishing to enter digital broadcasting. During the same eight year period those commercial broadcasters who invest in DRB would be entitled to a moratorium on the broadcast fees due on their analog radio operations in the same market to encourage uptake and to soften the cost of investment in this new technology. This is a principle applied in the UK and we understand a similar approach has been taken in Canada.

Adopters would get to keep their allotment (or more precisely, their share of an allotment), but those who did not take up the digital spectrum option by 2009 would lose the entitlement.

Because in a digital environment these broadcasters would sometimes be operating in *Eureka 147* ensembles or other technologies with more than enough capacity to meet the local demand for audio and related data services, the opportunity would exist for ownership groups to broadcast a wireless internet signal in any spare capacity, using the multi-media technology. FARB submits that existing radio broadcasters be permitted to use part of their allocation for data services.”

Employing DRB in such a manner entails significant cost for the broadcaster and on these grounds, Government help to foster the establishment of digital radio in regional Australia is justified.

Commercial radio envisages a significant role for itself to help realise the Commonwealth Government's stated vision of opening up the educational, information and entertainment choices available to Australian consumers. FARB recognises the importance of this issue in rural and regional Australia.

CONCLUSION

In FARB's view the commercial radio industry is succeeding in its mission to satisfy its listeners, and be complementary to other broadcasting services, in regional areas. As FARB has demonstrated, the entire Australian media scene features a concentration of ownership and networking. This is evident across all forms of media in Australia, and not just the radio broadcasting industry, and thus it is inappropriate for radio to be singled out or accused of failing to satisfy its audiences.

With the abolition of "commercial viability" considerations in allocating licences, and the consequent growth in the number of all types of licences, as well as an influx of competition and no commensurate increase in populations or revenue in real terms, commercial regional radio has had to adjust over the past ten years to a more rigorously competitive marketplace and has become just one of many services provided by commercial and other media. Commercial imperatives have driven regional operators to seek economies and do more with less. Despite these factors, FARB is confident that commercial radio is continuing to satisfy listeners in regional areas.

Networking and public ownership have become features of many businesses including commercial radio and generally speaking have led to increased levels of efficiency and professionalism. Benefits have flowed into management, programming, sales and marketing, allowing the content to stay relevant and in tune with people's increasingly hectic and isolated lifestyles. People continue to be satisfied by the services provided by commercial radio in regional areas, as demonstrated by audience survey figures which show that commercial radio is overwhelmingly the popular choice of listeners in regional Australia.

The totality of radio, particularly in regional areas, provides a diverse range of programs and services. Regional commercial radio delivers social benefits to its audience through providing programming which is responsive to the need for a fair and accurate coverage of matters of public interest, as well giving appropriate coverage of matters of local significance, as required by object 3(b) of *BSA*. Further, commercial radio in the regions has never sounded so good since networking and competition has led to broadcasters providing audiences with a new standard and diversity of programming. However, this has not meant that regional radio has ceased to provide localism in its programming.

Localism is a concept that means different things to different people. It is neither defined within, nor required by, the *BSA*. But it nonetheless remains a significant feature of regional radio programming because audiences demand information about their local area from their media outlets. FARB's recent survey has shown that all regional radio programming contains a significant degree of local content, and we maintain that regional radio operators, through research and experience, are best placed to make the judgment about both what localism is, and how much localism should be a feature of a radio broadcaster's program line-up. To be effective, commercial radio programming has to be free-flowing, to respond to the needs of the community at a specific point in time and enable it to cope with changing social mores, behaviours and demographics.

This can only be achieved by leaving programming choices in the hands of regional radio operators who are in touch with the demands of the individual communities they serve.

In terms of future developments in radio and their effects on regional broadcasting services, the prospects provided by digital radio suggest that its ability to provide a high-quality service on a limited budget will only increase in the future. Digital radio broadcasting will be able to offer additional program opportunities to regional listeners, depending on the Government's policy approach. From a practical perspective digital radio will not change the essential characteristics of radio's relationship with its listeners, but digital radio will offer listeners more diversity and choice just because there will be more services, and give different groups of listeners' new reasons to buy a digital receiver. Commercial radio envisages a major role for itself to help realise the Government's stated vision of opening up the education, information and entertainment choices available to Australian consumers through digital radio, and FARB recognises the importance of this issue in rural and regional Australia.

Regional commercial radio has evolved into its present structure because of the powerful forces of legislation and the marketplace. Electronic media, despite the *BSA*, is still more highly regulated in terms of ownership, control and content than its major competitors, newspapers and the Internet. There is, therefore, no need for commercial radio to be any more stringently regulated, either in metropolitan or regional areas. Suggestions that regional radio, particularly commercial operators, should operate within a more highly regulated environment ignore economic reality and the obvious acceptance by consumers of the quality of services offered.

Consolidation in ownership, networking, sharing of programs and facilities and varying levels of profitability and losses are all consequences of market forces and a deliberate relaxation of the previous legislative regime. We have seen an explosion in competition and a contraction of regional economies during the past decade. Notwithstanding all these factors, consumers have never had a better choice of services, with different formats and local and national programs being provided by regional radio programming. The old days of commercial radio in regional areas trying to be all things to all people, and satisfying no one well, are gone. The variety of new types of media and the number of different types of broadcasting licences have reduced the need for commercial radio to provide a highly diverse range of programming.

In conclusion, although it has been a struggle for commercial radio to adjust to the influx of new licences, and the increase in other media providing outlets for advertising, it has coped well. It needs to be remembered that an uncontrolled increase in the number of radio licences, which would threaten the viability of existing radio operators and hence compromise the quality of their output, would seriously conflict with several key objects of the *BSA*. These include diversity, responsiveness to audience needs, the provision of high quality and innovative programming, and appropriate coverage of matters of local significance. All of these factors still need to be taken into account by the ABA in the allocation of licences in order for the system of radio broadcasting in Australia to be consistent with the legislation.