

Proposal for the introduction and establishment of a third Broadcasting Licence Category.

(For the information of the House of Representatives Inquiry Committee into the adequacy of Regional Commercial Radio)

House of Representatives Standing Committee on Communications, Transport and the Arts
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Executive Summary

That the Government, in conclusion, acting on findings and recommendations from the House of Representatives Regional Commercial Radio Inquiry (RCRI) establish the criteria and operating parameters for a new commercial radio broadcasting licence, named Regional Commercial Radio Broadcasting Licence, and that this occur as soon as possible after June 2001, the month of conclusion and release of findings and recommendations from the Regional Commercial Radio Industry inquiry.

The three Categories of Licence Classes.

1. Community Broadcasting Licence (with the option of wide-coverage if there is sufficient demand).

The option of increased transmission power brings a wider audience cross-section, therefore offering the diversity Community Radio is required to provide, not just to the centre where the station is based, but the entire region.

2. (Proposed) Regional Commercial Radio Broadcast Licence.

This Licence exists for the purpose of providing a live committed and more localised commercial radio enterprise, a service that is far more locally efficient, educational and dedicated than that which is currently supplied via large-scale networking.

3. Commercial Network Broadcasting Licence.

This category caters for large-scale, multi-national networks, such as RG Capital, DMG Regional Radio, Ray Gambles AMI and Bill Caralis' Broadcast Operations. The owners and management of a commercial network licence are not permitted to own a Regional Commercial Licence; nor can they supply programming to a Regional Commercial Licence, except in emergency situations, where it may be necessary to supply all stations with identical programming for the duration of the disaster.

The licence is bound by the terms of Reference regarding local content and live local hours of broadcasting as applicable to network operators. However, the holder of a Commercial Network Licence is able to originate program from a centralised location, so long as the guidelines regarding local content and local live broadcasting times are met and maintained. Thus, The network provider must supply a minimum of eight hours live local programming for every twenty-four hours, whereas the holder of a Regional Commercial License is required to be fully "live and local" for a minimum of eighteen hours per twenty-four.

Justification:

An example of large-scale networking is *DMG Regional Radio*.

In all of DMG Regional Radio's submissions to the Australian Broadcasting Authority (ABA) and the RCRI they state they are only required to contribute to the provision of an adequate coverage of matters of local significance, and there are no minimum local content or hours of broadcast standards set down by parliament. They state that they are providing a "better, high quality and more comprehensive service" than previous operators of their currently networked individual stations and they have full endorsement from Local Government, Federation of Australian Radio Broadcasters (FARB) and the ABA. However, allow locals the opportunity to operate their own regional commercial radio station similar in individual market earning potential to any national commercial licensee in the market. Commit that license to broadcast locally for a minimum number of hours and draft the necessary legislation that governs the issue, and acquisition of these licenses.

Example:

There is to be only one Regional Commercial Radio License in each major regional centre when spectrum is available, otherwise, if possible alter the Frequency Allotment Plan to make available a suitable frequency). This license category is only to be utilised when sufficient interest is shown from a suitable locally based applicant, and a need for increased localism and community service due to the network operator's deficiencies are recognised.

The Licensee must comply strictly with local content guidelines; otherwise face possible suspension or re-allocation of their license.

The system of allocation surrounding the new category of license we are proposing reverts to the original allocation method partially based on the merit system. This may include endorsement from local advertisers, local and regional community organisations, listeners and State/Federal Governing bodies.

The License issued to the relevant party must carry a fee, established through research on the basis of the size and economic potential of the regional community where the license is to operate. The actual fee obtained contributes to the first category in part, Community Radio and assists in maintaining its operating parameters and costs.

The auction system of allocation should remain relevant in Metropolitan areas, due to the higher revenue earning potential and socio-economic structure of the area, but in regional areas the price-based allocation system must be abolished, otherwise multi-nationals will out-bid the locals, who do not have the capital reserves of the large corporations to secure a license of their own.

If a network license holder operates and owns one or more stations in a market, another spectrum frequency must be made available for a Regional Commercial Radio License to be established in the same LAP boundary. The owner of the Network License cannot apply for the Regional Commercial Radio License, and if no frequencies are available, the Frequency Allotment Plan should, if technically feasible be altered to include one.

Network operators will state that the creation of this new category will result in less advertising revenue being made available to all stations. (Similar to their statements made during the course of the RCRI concerning the viability of 'their' third licenses.) This would be true, if anti-competitive and monopolistic behaviour is endorsed. Thus, the increased competition will assist advertisers in justifying more expenditure in their market being directed towards their local radio stations. Fair local competition with earnings based on economies of scale with reference to the broadcast area and its population centres will benefit all, through increased localism, increased advertising revenue and the delivery of a better-localised radio service. The United States is an example of the success of smaller-scale radio broadcast infrastructure and management that is returning to localism, as it's main objective and endeavour. Dubbo, in NSW is an interesting example of larger-scale networks' attitudes to 3rd license competition and viability in Australia. 3 licenses are operating in the market, two are owned by Bill Caralis, and one, the newest, Star FM is owned and endorsed by DMG Regional Radio. This station, unlike the majority of its 58 related regional network stations who broadcast 6am until 9am or 10am, is live and local from 6am until 6pm; increased localism, the direct result of real competition. (Refer to attached note)

It must be noted that networks, in this instance DMG Regional Radio will claim that the Government cannot alter the allocation process until after the final Section 5 LAP is finalised and allocated. (Riverina/Murrumbidgee is the last area to be revised under the current legislation). However, this is the most convenient and beneficial time to implement the new license category. This final license allocation area can be the first in a series of implementation programs for the Regional Commercial Radio License, designed at increasing local content and live hours on regional radio.

Thus, instead of a large scale network obtaining the last available spectrum frequency in the area and understanding that the local operator in the Riverina, DMG Regional Radio already owns and controls two licenses and *no other Australian or overseas company has expressed any interest whatsoever in the obtainment of the available frequency, and potential license for this area*, the 1994 FAP-available frequency should be made the first Regional Commercial Radio License to be issued, originating from the various findings of the Regional Commercial Radio Industry Inquiry.

Conclusion:

It is evident at this late stage of the inquiry process that the RCRI will present ample proof of findings that localism needs increasing throughout the regional radio industry and live, on-air and local stations need to be returned to the industry in greater numbers, stations that can be immediately available for emergency situations and the like 24 hours per day. It has also been demonstrated throughout the past two years, focusing on our local regions licensee, that large-scale network operators simply cannot provide the type of live localism that is needed in regional radio, right across Australia.

Thus, instead of creating negative competition and further unrest in the industry by introducing extensively altered operating guidelines that will affect larger scale network operators, perhaps adversely, a new category of regional commercial radio licence should be implemented in line with the RCRI findings and recommendations. This way, networks will continue, according to their statements and information presented to the RCRI, to provide a 'better quality, higher standard program', and potential regional operators will get the chance to serve their communities in a commercially viable locally committed, unbiased way, and they will also get the chance to demonstrate the effectiveness of a local, small scale partially re-regulated regional radio industry.

When a conclusion and solution is achieved, perhaps media industry leaders can return to concentrating on satisfying the demands of the audience and the reason for radio's (almost) unchanged longevity and unaltered but successful existence...the listener.

Yours sincerely

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On behalf of Riverina Radio Group