

Radio Inquiry  
Submission No. ....273.....

Secretary:.....  
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HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON  
COMMUNICATIONS, TRANSPORT AND  
THE ARTS

'Delowen'  
Keronga Heights Road  
**LOOMBERAH NSW 2340**

Telephone: 02 6760 9397  
email: transitory@bigpond.com

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The Committee Secretary  
House of Representatives Standing Committee on  
Communications, Transport and the Arts  
Parliament House  
**CANBERRA ACT 2600**

Dear Sir,

This letter is written further to the writer's appearance before the House of Representatives Communications Committee Inquiry in Tamworth into the adequacy of radio services in regional and rural Australia and the Chairman's request for a more detailed submission on the points that were made to the committee.

**BACKGROUND**

1. My Father was born in England in 1901, served at the very end of the Great War as a ship's radio officer and migrated to Australia in 1919. After many varied experiences he worked with the G. E. Company selling radios to country areas and in various other sales capacities until the early 1930's.
2. He and Tom Whitcomb (another G. E. Company man) decided there was a future in the then new industry of commercial radio and on approach to the Post Master General were advised of various towns considered appropriate for the establishment of such a service.
3. Both being very familiar with country New South Wales from their time with G. E. they decided that of the available choices Tamworth held out the most promise.
4. Licence in hand the two entrepreneurs arrived in Tamworth in 1934 to raise the additional capital they lacked and to build their radio station. The necessary money was subscribed by the local newspaper and other local business and professional people, all of whom were interested in the progress of their community.

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5. These events took place in an economic environment that beggars the imagination today - the Great Depression was still raging, there was mass unemployment on a huge scale and for the first time social support mechanisms had appeared. That said, it is even more worthy of remark that many people receiving the dole had never had so much disposable income in their entire lives.
  6. Radio 2TM went to air in 1935 serving Northern NSW from Tamworth. The Station enjoyed commercial success and by the outbreak of the Second World War in 1939 was broadcasting on 2kW. Neighbouring station 2MO Gunnedah had also been acquired, the licence for which had been allocated some time prior to 2TM's.
  7. A minor aside of interest is the fact that station call signs prior to about 1933-4 were frequently allocated after the proprietor's initials - hence 2MO for Mark Oliver but 2TM for Tamworth.
  8. 2MO was acquired because it was a commercial failure. It is significant the company based on 2TM also became involved with other neighbouring stations after the war, at the behest of the Post Master General (and later the Broadcasting Control Board), when they too were faced with the loss of their licence for failing to provide the standard of service sought by the Government of the day.
  9. Until the 1970's an underlying tenet of broadcast administration was that control of the radio (and later television) services in the country be in the hands of independent, preferably local, proprietors. To assist in this ownership ceilings were in place, based on the number of licenses held. The weakness of this arrangement was that radio services came to be based on licenses issued for transmitters, rather than for areas or types of services. This was to become a major issue for ourselves and many other pioneer operators.
  10. In the immediate post war period we were given a preview of the future difficulties arising from government decision making affecting our industry, with the adoption of the extraordinary Broadcasting Control Board recommendation that the international FM Radio frequency allocation in the VHF band be allocated to television, as there was no identifiable requirement for an FM broadcast service in Australia.
  11. Not surprisingly, by 1956 I was working school holidays for 2TM and what had become the New England Network - comprising 2TM, 2MO and 2AD; 2MO owned and operated; 2AD 50% owned but operated by us at the request of the Control Board. If strict local control and ownership could not be maintained the Board were keen to keep the ties as close to home as possible.

12. Around this time the group was approached to provide funding and management assistance to 2RE Taree (which was failing) and we were also instrumental in getting the licence issued for 2VM Moree, although the involvement with that station was relatively short lived.
13. From the middle 1950's the group was actively involved in ensuring the television service be established at as early a date as possible and exploring ways in which it could be funded. The Government was keen for local control to be maintained but also very concerned that the local operators would be able to provide a respectable service to the community.
14. Opposing this was the view of metropolitan operators: Television was beyond the resources of local communities and the most suitable solution was for services to be relayed from metropolitan areas. Broad brush - the Fairfax's through Channel Seven took a fairly paternalistic view (patronising, in the most complimentary use of that word), were genuinely interested in the service aspect of all their media and very sensitive with respect to their responsibility to the community; Channel Nine (under Packer control) was rather more robust and acquisitive, not so attuned to the niceties and very aggressive in approach.
15. Eventually the issues were resolved and television (like radio) ended up controlled by independent operators who could be expected to be orientated toward the needs of the communities they served. Ownership restrictions locked out the big players (just in time) and aspired to prevent concentration of ownership in the same way as had been used successfully with radio. There was no suggestion that close relations between the local media was undesirable in any way - if local control was to be maintained this was recognised as the only possible way.
16. My own interests took me out of Tamworth from 1963 until mid 1966, when my Father's ill health caused my return. On his death in 1967 I became involved in all decisions strategically affecting our business. The association with television ended in 1987 when our company was compelled, on commercial grounds, to divest either its radio or television interests (something there was no desire to do) and that with radio in 1995 (after 60 years for our family), when we simply lost heart with the introduction of the 1992 Act and gave up fighting for the service in which we believed.

## **THE WAY THINGS WERE**

1. The halcyon days of country radio were in the post-war period that ended in the 1960's when a new generation of people began to emerge for whom the war and the

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experiences associated with it were of less relevance. Australia arguably had one of the best radio services in the world; avoiding the worst aspects of the totally government controlled British model of the BBC but replicating it in part by way of the ABC; equally avoiding the crass American model with its rampant and more or less uncontrolled commercialism. Any unsavoury aspects of our commercial operators were offset partly by the ABC and partly by tight Government control of standards. High standards at every level were the order of the day and tight regulations enforced those high standards, very much to the benefit of the community.

2. Prior to the introduction of television radio performed an entertainment function as well as providing news and information. The general population used the commercial service while those with more elite tastes were reasonably well catered for by the ABC. The commercial service was unashamedly parochial and involved with the community at all levels. The ABC was always more regional and more demographically orientated in its approach to broadcasting.
3. The devastating 1955 floods provide a good insight into how commercial radio fitted in. There were no paternalistic government services in those days and communications were primitive (mostly party line telephones): It was commercial radio that provided the information flow that glued people together during the crisis and allowed information to reach those affected. The advent of portable receivers was crucial in this, as many stranded families were able to listen to the radio when all other services had failed. 2MO was revered by the local community after its work during these floods and 2VM was established as a direct result of the crisis producing a realisation that the Moree district needed its own radio station in times of emergency. All a bit hard to imagine today when, like the State Emergency Services, the stations usually respond to something after the event.
4. 2TM was in the thick of all this, and the lynch pin that held everything together; the background to which is interesting. Prior to the Second World War breaking out in the Pacific it was realised that communications in wartime Australia could become extremely difficult and very uncertain. It was also realised that in the commercial radio stations dotted around the country there was a properly decentralised communications resource which could be very useful. With this in mind a number of stations were singled out and allocated clear channels to ensure they could be picked up over very great distances without interference from our own services. One of these was 2TM. The clear channels remained for many years and among other things were used as an aid to aircraft navigation. 2TM's clear channel was invaluable during floods and other emergencies as people over the entire north and north west of NSW could hear the station. Aerials were needed during the day but everyone could get good reception at night. Later it was put to another use which was to have a defining impact on Tamworth.

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5. The first thing to really disturb the tightly knit communities of this period was the introduction of television, in our case in 1965. It was not that those communities were isolated or shut out from the world - Tamworth had an airline (East West) based in the town; rail and road were both of a good standard; newspaper and radio had long since let the outside world in. The thing about television was that, for economic reasons, it served a number of communities that had previously thought of themselves as being quite distinct and in a small way this highlighted an emerging redefinition of those distinct communities. People had already started to travel to regional centres for health services and to shop but television crystallised this idea in a way that had not happened before.
  6. For our organisation it was an exceedingly difficult period as we were operating both television and radio and financially responsible for each. Radio, of course, was commercially decimated by the advent of television and its very reason for being was called into question. As a company we were bleeding to death, squeezed between the establishment costs of television and the losses generated by the radio group as radio seemingly lost its way.
  7. Switching from being primarily an entertainment medium where much of the listening was a shared experience, to become a medium providing one-on-one companionship was not so difficult (others had trodden that road) but re-establishing the commercial basis of the operation was a major challenge - made worse by our reluctance to degrade the resources (especially human) of the stations.

## WHAT WE DID

1. The above section is an attempt to convey what communities had in their commercial radio service prior to the introduction of television and to try and give some feel for the times and the importance of radio in them. We have also seen how radio was brought to ground by technological change. This section will look at our response to the predicament in which we found ourselves. Doing so will serve the useful purpose (I hope!) of helping the Committee understand what is bothering the people in the country today and why they are having so much trouble articulating their concerns. We shall then move on to our twenty year plus battle with 'THE SYSTEM' and how we tried to articulate our concerns, without success.
2. The late 1960's were interesting times to be in country radio. Commercial radio has two basic revenue streams - National and Local. National revenue, as the name implies, is business sold to advertisers operating from outside the local market. National business for country stations was usually sold by representation houses

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handling a number of stations and selling primarily to advertising agencies. Local advertising is sold by the station to advertisers operating within the local market.

3. There is a basic misunderstanding amongst people not engaged in the business:- that is, if the programming is right and the station is doing all the right things then advertising is attracted to the station. In all my time in commercial radio I can only recall a few, very few, occasions when anyone walked through the door to place significant volumes of advertising. Generally the station goes out into the market to sell. This is significant because it subjects country stations to an ongoing 'survey' - if the station is doing its job well it will make good sales; if not, it will not. This is an idea the bureaucrats could never come to grips with but there is a direct link between a station's local revenue volumes and the quality of service provided to its listeners. It is really quite transparent; if the station is not pulling listeners local advertisers know immediately because the cash registers stop ringing: When that happens they stop buying radio.
4. With the advent of television in the local markets, particularly Tamworth where the TV station was 100 metres from the radio station, this fundamental rule failed. We knew the station was working effectively but there was no way we could achieve the prices and volumes we had before. It was some time before we concluded our problem was that radio had gone out of fashion.
5. We addressed this in a lateral way. Firstly we developed a monster promotion to prove we still had the ability to be a force in the market. This was "The House that 2TM Built". At the time one home was being completed every working day in Tamworth, so the promotion was relevant and topical. Clients were sold a package giving them exclusivity in relation to the project and the supply of materials. On completion the house was open for some six months and was the prize in an Art Union to fund the redevelopment of Nazareth House - then the major nursing home in Tamworth.
6. In every respect this was a success except that we made nothing from it and our sales otherwise did not increase at all. From this experience however we had the nucleus of a new resource. We developed a series of exhibitions where we controlled the exhibition itself as well as the print component (producing newspaper features without the newspaper wraparound) and included significant volumes of radio. This approach worked well as radio did what it did best (and made the whole thing work), while clients, in their minds, bought exhibitions and print.
7. In 1972, based on the strength of this further experience, we set out to establish the greatest exhibition of them all, Australia's premier annual agricultural exhibition - Ag-Quip. Ag-Quip was a corporate venture based around 2TM and 2MO, with the

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- field days held in Gunnedah. On maturity Ag-Quip attracted around 100,000 site visits by the public each year, altered permanently the machinery buying habits of the region and, most importantly for 2TM and 2MO, generated the equivalent of one extra month's revenue for the stations. The heavy radio schedules generated by Ag-Quip were paid for by clients who were mostly not radio users and had not been sold radio; radio was an integral part of the promotion and the majority of clients did not understand the connection. None-the-less we also made some conquest sales for mainstream radio as well.
8. Ag-Quip epitomises the argument that the way forward is to identify your strengths and weaknesses then apply lateral thinking to achieve a positive result. Winding back to the late 1960's, we did some very 'radio' things as well but these too produced out of the ordinary outcomes.
  9. It really narked that when television first went to air (in black & white for about four hours each evening) it was assumed by everyone there was no audience at all for evening radio. The fact was that radio at this time still had a huge audience at night, probably greater than television's in the first few years, when receiver prices were high and penetration was low. So it was a 'radio' problem to find out how we should programme night radio now that the paid entertainment had taken a powder.
  10. With the focus still on entertainment the choice of music as the vehicle was obvious and it was thought that perhaps the best prospect was to try and build audiences for specialised music forms. We tried everything except heavy classics (an ABC provence) - We tried jazz; we tried talk-back; we tried military bands; we tried big bands and swing bands; we tried music from the shows; we tried themes from the movies; we tried the great writers and great artists; and we tried country music.
  11. There had been a tradition of support for country music at 2TM (and many other country stations) but this had more or less died out some years before. Then we had a Canadian programme manager for a while who was hooked on contemporary country music and had a half hour programme each Saturday morning. This had survived his departure and been kept going by the then station copywriter (John Minson), as a more or less freelance project.
  12. As part of the grand test of everything at night, this programme was moved to a night time slot, rebranded as 'Hoedown' and run for half an hour. And it seemed to work! One of our sales representatives servicing what was then a big local department store account was told they wanted to try it! A major client paying full rates for night time radio? Walking on the moon looked like a minor exercise in logistics compared to this.

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13. Country music provided a programme solution to our problem of finding an audience for night time radio. What we had tapped was an unmet demand from a unique and previously unidentified group - what is today called a niche market - whose entertainment needs were not being met. This audience demonstrated a huge geographical spread, literally from the Great Australian Bight to the Gulf of Carpentaria. It was a consequence of the clear channel allocation 2TM had been granted before the war. There being no close co-channel interference the station could be heard at night over half Australia.
  14. The country music programme developed, and interestingly, the country music industry developed with it. In a relatively short time Tamworth began to evolve into something of a Mecca for both artists and fans.
  15. At this point we have to divert our attention to another strand in the story of those times. Selling country radio (as distinct from country music) has already been noted as being extremely difficult and the most difficult was selling country radio to advertising agencies. Agency calls, especially in Victoria, were often no more than geography lessons for agency personnel and rarely produced results.
  16. We did a lot of driving in those days which resulted in lots of thinking and discussion time. It seemed obvious that we had to give Tamworth an identity. If we could do this it would obviate our time wasting geography lessons. Agency people might be ignorant but they are also vain - we wanted to shame them into the idea that having heard of Tamworth they ought to know all about it and give us time to sell them something, rather than waste our time and money providing them with a defacto education.
  17. All these strands came together in 1969 in the concept of Tamworth as 'Country Music Capital'. Over the next few years 2TM ran a single-handed campaign promoting Tamworth as Country Music Capital. This promotion did two things: Firstly it worked beyond our expectations, demonstrating a greater need than we had anticipated for a spiritual home for country music; secondly it re-enforced our belief in the power of radio. Radio might be a hard product to sell but its sheer power to motivate people was still unparalleled.
  18. By 1972 Tamworth was becoming identified as Country Music Capital to such an extent that we began to face the fact that more than the radio programme was needed to flesh out the identity we had provided for Tamworth. Up to this point the local citizens had not grasped the significance of what was being done, nor what was in store as we moved to the next stage of developing Tamworth's image.



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19. The local country music group held a very successful talent quest on what was the Australia Day long weekend. 2TM decided that in the interest of promoting the re-emerging country music industry and the image of Tamworth as its 'home' we would conduct an annual awards presentation for the best in recorded country music.
  20. There was a lot of presumption in all this but we had nothing to lose, so the Australia Day long weekend in January 1973 saw the inaugural Australasian Country Music Awards presentation. The details are unimportant here but the good citizens of Tamworth were more than a little taken aback. The local paper and the local dignitaries did not take kindly to our hijacking their town (city!) in a cause that definitely lowered its tone.
  21. At the radio station it was depressing that the town did not understand but we persevered and did all the things necessary to further the cause. We also fostered the development of the country music festival as it grew out of the Australia Day long weekend. This later came back to haunt us because although we could cover costs, and sporadically make good returns from our direct country music involvement, the demands of supporting the festival eventually overwhelmed us.
  22. 2TM was successful in developing the country music involvement and changing the perception of the local citizens in the ensuing years. A significant milestone was the recognition of Tamworth as a tourist resort in January (the hottest month of the year and far from the typical concept of what a resort was all about) which opened up the retail trade to visitors and finally grafted onto the town the identity it treasures today.
  23. The night time radio programme was the prime vehicle for projecting Tamworth to the nation at large and even after our sale of 2TM in 1995 continued in this role, broadcasting country music from Country Music Capital for 12 hours a day 365 days a year. For a number of years the programme was actually relayed to a significant number of other country stations in NSW and Queensland, originally by ourselves and later to a much larger number by the Broadcast Operations group.
  24. The country music radio programme was not one local people so much wanted to listen to as an integral part of their town and the projection of the town's image into the wider world. Its discontinuation in January 2000 (which was very badly handled) left a vacuum - the constant reinforcement of the towns identity had been taken away.
  25. Given all this it is not surprising that the various witnesses (including the City Council) have been unable to articulate what it is they feel has been lost. They feel betrayed without really understanding how it has happened. This feeling of betrayal is part of a wider sense of betrayal that pervades country areas as they are progressively

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deprived of the things that provide them with their identity and reason for being - it is an issue that will be touched on again later.

26. Another thing we did as radio operators was to try and find new ways of sustaining 2MO as an independent station. 2MO was always marginal and we had found part of the solution in the Ag-Quip field days. Another solution which worked for quite a long time was to piggy back 2MO onto 2TM and promote the joint market at a national level as 2TMO.
27. This was economic rationalism working at its best. We had heavy overlap (close to 50%) between 2TM and 2MO and each provided separate programmes which maximised the combined audience. For the purpose of making national sales we achieved a market that was big enough for advertising agencies to consider buying and market penetration that ensured the product would work. We also had another means of getting revenue to 2MO that would maintain its viability (a word we will also look at later).

## WHAT 'THEY' DID

1. 'They' is the universal identification of that amorphous outside world that continuously disrupts the smooth flow of all our lives. The 'they' we will be dealing with here are multifarious bodies such as the Broadcasting Control Board, Department of Media, Broadcasting Tribunal, Department of Communications, Parliament and all the others that have taken a hand in trying to 'fix' broadcasting. In this section we will look at how their activities conspired to bring about the situation that has prompted the present Parliamentary Inquiry.
2. No doubt all of the foregoing has been rather tedious for those that have taken the trouble to read it but it is important to try and convey some feeling for the past history to make sense of what follows. In focussing on 2TM and to a lesser extent 2MO, I have been dealing with stations and situations I know best and in 2TM a unique example that epitomises the very best of what could be achieved by country radio stations to the benefit of their communities. But all country stations to a greater or lesser degree provided the focal point for the identity of the communities in which they operated.
3. Most often the magnitude of what they achieved was dictated by market size, but all of the operators were aware of their special position in the community and had the commitment to fulfill it. One of the things I will not forget is the frustration of trying to explain that a radio operator's costs varied according to market size; that a market like Tamworth inevitably cost more to service adequately than one like Gunnedah;

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and for most operators the adequacy of their operation in the community was as important as their profitability. Much of the problem of today's radio revolves around the acceptance that all stations should cost about the same to operate, regardless of market size and the role of radio is (or should be) confined to generating wallpaper in sound.

4. Reviewing the big picture, one has to conclude that the idea of a country radio service actively engaged in the community, its aspirations and its welfare, and actively promoting an independence of thought and action, is an anathema to a bureaucracy possessed of an overblown view of its rightful place in the scheme of things and a desire to control the flow of all things good. There is a sneaking thought that politicians too are sometimes seduced by low rent aspirations of this sort but, thankfully, politicians ultimately belong and are answerable to their communities.
5. My involvement with the new broadcasting era and the role of politicians and bureaucrats began in 1974. The new Labor government had come to power and, full of reforming zeal, turned its attention to almost everything. One of the things to come under notice (unsurprisingly) was the broadcast industry and an early issue was the establishment of an FM radio service. This led to the 'McLean' Inquiry into Frequency Modulation Broadcasting.
6. We used the opportunity to make a submission pressing for the introduction of FM radio as a means of making good the deficiencies of the system as it then existed. Broadly we argued there was a need to provide additional radio services in country areas, and an even more pressing need to address the needs of remote areas. Our views were underpinned by the idea that "no serious disadvantage should attach itself to dwelling beyond the major metropolitan areas". One of the weaknesses of all our dealings with government over the years was our failure to grasp that the real intention was to disenfranchise non-metropolitan Australia.
7. Our submission to the McLean Inquiry may be of interest to the current Inquiry in-so-far-as it is probably the first time the idea of aggregation was proposed, although we did not articulate it quite as it is represented by television today, and it was done in the context of radio. If necessary a copy can be provided, although it is probably accessible from the archives.
8. The outcome of the McLean Inquiry was that Government took the sensible but major step of deciding to clear television out of Band II (the international FM radio band) and return it to radio. No decisions were made as to the future shape of the industry.
9. In 1976 we had the Broadcasting in Australia Inquiry which was intended to establish a framework for the future development of the industry. Our submission ranged over

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the whole gamut of radio and television broadcasting in non-metropolitan areas. We argued for area-based licensing, the same rules for all broadcasters and, in the case of television, the adoption of aggregation (still not known as such).

10. This idea for television was significant as it was proposed as a means of maintaining decentralised control and providing leverage for country operators over metropolitan programme suppliers. Regrettably, when it was finally implemented some ten years later it had the opposite effect. The 'litany' was one of breaking down the concentration of ownership and introducing new players to provide new and invigorated services.
11. The ideological drift of the major parties was moving strongly toward the liberation of market forces as a means of resolving difficult problems. At the same time the bureaucracy was developing new doctrines that provided relief from the old concepts of universal service provision and the difficulties this entailed.
12. The ideological outlook of the politicians and the doctrinaire approach of the bureaucrats combined to eliminate local identity and ownership from almost the whole of the regional television service. The vestigial local television components remaining today are really provided as a sop to local communities and government but, having said that, television is probably performing its regional role rather better than radio. Again, if a copy of this submission would help the present Inquiry one can be made available if it cannot be retrieved from the archives.
13. In 1978 the Packer group made another concerted push for control of television across the country with its proposal for an Australian Communications Satellite. Naturally an inquiry ensued and we made the case again for fixing the present system and expressed the doubt that the satellite could fix anything. When people with no sound technical knowledge become involved in decisions of this sort emotional issues tend to carry the day and this was certainly the case here - Australia footed the bill for a very expensive piece of transient technology that was never going, or able, to pay its way. Meanwhile the problems that related to real needs in real communities were let languish.
14. 1980 saw us make yet another submission, this time titled "The Introduction of Additional Commercial Radio Services to Australian Country Areas". This time the submissions were called for (if I recall correctly) by the Department of Communications. Again we tried to get across the idea that services needed to be adequate and comprehensive but at the same time had to be affordable to the recipients. Again we explained how radio works and particularly made the point that networking would not work. I will quote what I said then in full:

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“Most of the difficulties we face in bringing about a service improvement are of a practical nature, so it is worth noting here that the concept of networking commercial stations over very large areas fails not on practical grounds but philosophical. The concept of networking has considerable appeal with regard to its cost of implementation and operation. However this approach cannot be reasonably expected to provide a worthwhile benefit to the communities it might be intended to serve due to its inherent inability to relate individually to each of those communities.”

Let me take the liberty of reinforcing that this point was made more than twenty years ago and is the nub of the issue now being addressed by the present Inquiry.

15. This is a good place to clarify the issue of networking which appeared to be (justifiably) confusing to the members of the Committee.
  - i. Networking in the context of the present discussion is where material is broadcast from a central originating point or hub. The distinguishing feature of networking is that the stations taking the network feed have no real choice as to the origin of the material they broadcast.
  - ii. Syndication is where a programme is made available for broadcast by stations other than the originating station. Like networked programmes, syndicated programme material is most often broadcast simultaneously by the originating and relay stations.
  - iii. The difference between the two concepts is determined by market conditions. Where independent stations take relay material such as national news or metropolitan talk-back such as the John Laws Show the choice lies with the independent operator, who is free to select the material considered most appropriate for the local situation. A networked station has no options as to its provider and the centralised nature of networking moves the point of decision a long way from the community it is intended to serve.
16. The implementation of aggregation in television led directly to networking because of the decision to have three regional commercial television services. Had the decision been (as we advocated) for two, there would have been no networking because regional stations would have retained the authority to decide where to source their material.
17. Under a networking regime the ‘network’ determines what will be heard on remote stations whereas under independent ownership the sourcing of relay material is

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determined independently having regard to all the material available and to local market conditions.

18. It is also important to note in this context that the networked service provided to its country areas by the Broadcast Operations group is out of 2SM. It would be interesting to know how the station rates in Sydney; it used not to be particularly successful and much of the complaint against Broadcast Operations may well revolve around the problems they are having in trying to work the Sydney market in conjunction with their network. I know we once looked at buying a broken down Sydney station - but we were going to network it out of Tamworth.
19. Further submissions were made regarding the improvement of radio services in 1984, 1986, 1987 and 1989. Our ground tended to shift according to our perception of what we were contending with and what might be achieved, but the death knell for our organisation was sounded with the release of the reports of the Future Directions Unit dealing with AM/FM conversion and Future Directions for Commercial Radio.
20. Out of these came a conviction that we had lost and all the points we had been trying to make counted for nothing. The very terms - such as "concentration of ownership" and "monopoly" - were given interpretations that would justify the actions taken down the track. To break down "monopoly" positions every effort would be made to introduce new players. A "one to a market" rule would prevent the old pattern of commercial radio from ever re-emerging. Lifting the lid on ownership restrictions would effectively prevent "concentration of ownership" as in the future no market would fall under the influence of one proprietor.
21. Worst of all was the concept of viability. As interpreted by the Department 'viability' was to be taken as being able to survive. We pointed out that being able to survive was not going to produce a worthwhile commercial radio service and that being able to survive did not result in something being productive. The analogy used to them of a 'viable' cow verses a productive cow was probably unfortunate - I should have made allowance for the fact that such an agricultural analogy would be beyond the comprehension of the people we were trying to convince.
22. By 1989 we were approaching the end as far as our organisation was concerned. In 1987 we had been placed in the position of having to divest either our radio or our television interests. This came about when Labor won the 1987 election. If Labor won the cross media ownership rules would definitely to be introduced - if the Conservatives won these rules would probably be introduced. At the time a nominal effort was made to salve someone's conscience by 'grand fathering' all existing arrangements but this was effected in an almost Machiavellian way. Any change in the control chain would require divestiture within six months. For us this meant that

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any change relating to a member of the family involved in the business (at the time my Mother had turned 67) would constitute such a change and trigger a forced sale. The practical effect was that we needed to make a sale as soon as practicable.

23. There was a certain euphoria surrounding television at the time so it was television that was sold; but even this was fraught with difficulty - there were no buyers in the market in a position to pay cash so a degree of vendor finance was required; but the way matters were arranged we could not take any security as this would deem us to be in a position of control and place us in breach of the Act!
24. The event was a disaster for our company. The purchaser of the television assets was Ramcorp and they required short term bridging to cope with the acquisition. We provided this but the share market crashed later in 1987 and Ramcorp crashed with it. The rest of the tale is irrelevant here but the significant fact to note is that Government can build structures to force change in an industry and establish machinery to determine the pace of that change.
25. Our last submission of note was to the Department of Transport and Communications in relation to the grant of an FM licence for Tamworth. By this time it had been acknowledged that Supplementary Licensing may be necessary to provide additional commercial services in country areas but the barriers raised to oppose this were substantial. We battled through the process for Tamworth and a supplementary licence was granted to 2TM. At the end of it there was a conviction that time had passed us by and our approach was no longer relevant; not wrong - not relevant. A sale of all our radio interests was effected in 1995.

## **WHAT IS NEEDED NOW**

1. Many aspects of our radio operation have been left untouched; such as our engineering research directed to reducing the operating costs of our stations without too savagely diminishing their local presence and retaining a high degree of local autonomy, even in markets as small as Armidale and Gunnedah; nor have we explained why we purchased 4WK in Toowoomba and what we learnt from this.
2. There are also many government activities that have not been discussed:- such as the extraordinary conclusion that the tiny Deniliquin market should be competitive but Canberra would be best served by the grant of Supplementary Licenses to the two existing operators; or the excruciating business of establishing Service Areas; not even the debilitating licence renewal regime that was in place for so many years; or the absurd doctrine which demanded there be only one set of rules for all commercial radio markets without regard to their size; and a big topic left to one side is how the

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ownership and control regime was developed over time and its effect on commercial broadcasters.

3. What has not been discussed is of little importance unless substantial changes to the operating environment of country radio are envisaged. What is needed first (and sooner, not later) is recognition of the facts:
  - i. Country areas have been disenfranchised, and not only by the destruction of the commercial radio service;
  - ii. Country radio was destroyed by the willful actions of government and its instrumentalities;
  - iii. This was an act of vandalism which should, and can, be rectified given the political will.
4. The next stage is to acknowledge that the shallow approach of abdicating responsibility to market forces is not going to fix anything. The greater part of the free market 'philosophy' is patently in error and there can be no doubt as to what will be the judgement of history in relation to this. The very fact that both sides of politics are embracing 'free market' philosophy (we used to call it laissez-faire economics) has to be perceived for what it is - a loss of direction by those who would lead us into the future.
5. While these ideas are being considered, it might also be recognised that the logical outcome over time of a totally unfettered market is a totally unfettered monopoly - which is why the largest free markets also employ draconian antitrust rules - they are what we might think of as 'world best practice'! Even so, the commercial activities of our companies were always predicated on the idea that commercial activity can be as great a force for good as otherwise. We managed to do quite a lot of good for the communities we served and I don't believe we were unique in this.
6. Government too can be as great a force for good as evil, the current evidence to the contrary notwithstanding, and the re-establishment of a relevant radio service to the country would provide an excellent opportunity to win back some lost respect. These notions all run counter to much entrenched doctrine, which will be a matter of some difficulty for those at the various power centres, but this does not diminish the objectivity and relevance of the position taken.
7. So let's acknowledge what is probably already apparent to this Inquiry - in markets such as Bathurst and Deniliquin (and no doubt others) - where there is independent ownership and local control of programme content there is a comparatively high



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degree of audience satisfaction; but where programmes are networked and the control of programme content is remote, there is high degree of dissatisfaction which those dissatisfied are having difficulty articulating. The Inquiry could go further (much further) and embrace this fact; it could go even further and initiate the steps that would not only restore what is lost but improve on the best of the past.

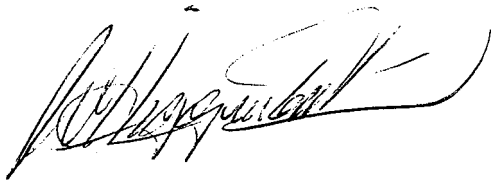
8. In brief, the required steps involve:-

- i. Changing the licensing regime to one of area-based licensing by defining audience areas according to geographic and community of interest considerations. The bureaucrats have always resisted this but in fact Australia's population distribution lends itself to this approach.
- ii. Allocating the frequencies to provide adequate coverage of the determined service areas.
- iii. Encouraging the establishment of solus markets in all areas where there is not the population to support competition, with a concomitant ceiling on the number of solus markets that can be controlled by one operator.
- iv. Establishing a procedure for licence review in the case of serious service deficiencies.
- v. Allowing existing operators to move into the market licence regime without penalty but at the same time creating grand-fathering mechanisms that will enable an orderly exit (remember these people have a big investment in the current system and must be allowed to ultimately realise the value of their investment - no-one should be put through what we were).
- vi. When an independent operator emerges in a defined service area, allowing the freedom to expand the service as the operator sees fit. Solus licensees may very well be prepared to operate more than two services in markets of sufficient size.
- vii. Recognise the limitations of the advice that will be given - the bureaucrats will be wedded to their present views (which may not be due for a change for as long as twenty years, when new people need to embrace new ideas to further their careers). BUT do listen carefully to the existing operators with regard to implementation as it is their business that is being disrupted and they were induced into the business by the regulatory environment established by Government.

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8. The subject being addressed is vast and it is doubtful it could be adequately covered in a book. What I have tried to do is give a feel for the subject, the issues, and people's concerns and to provide solutions to the problems which have given rise to this Inquiry. In closing I would just like to touch on the Terms of Reference:
- i. The social benefits of local radio to the general public in non-metropolitan areas are to be ordered above the benefits of other media while-ever radio is able to function at the local level. This is especially true in times of emergency when the actuality and portability of radio is unique; but is equally so at other times when such seemingly trivial matters as the weather, topical current issues, local advertising and the companionship of someone who relates to the local community are all part of the bond between a good local radio service and its listeners.
  - ii. There are no future trends in radio broadcasting relating to employment and career opportunities without a local commercial broadcasting service to provide them.
  - iii. The effect of networking is negative at every level:
    - the removal of local radio services by networking is symptomatic of the larger problem. Just about all local services (education, health, local government, policing to name just a few) have been either removed or centralised away from country areas and, perhaps surprisingly, we don't like it at all!
    - local content diminishes under networking and the sense of disenfranchisement and alienation, evident in any case throughout country areas, is exacerbated.
    - it deprives smaller local advertisers of an effective, and cost effective, outlet, thereby placing them at a disadvantage to larger (usually non-local) competitors.
  - iv. New technology in the context of this discussion is irrelevant in the regions - what is needed is old technology sensibly applied. Commercial stations should be local and as extensive as the market can afford (hence the need for one operator only); the ABC should be regional for at least one of its services and if this cannot be maintained its frequency allocations should be put to better use for the region they should be serving; and finally Community stations should be allowed to cover the whole of the licenced service areas proposed here.

9. Given there is so much left to be said and so much that has not been adequately covered (there is no discussion of the economics of country commercial radio for example, even though this is a vital element to the discussion, as is an understanding of how competition in small markets diminishes rather than expands the range of programmes), I would be prepared to talk further with the committee if it is thought there is a prospect of getting an improved service into the country. Equally, having no current or future commercial interest in the industry and no desire to keep fighting for a lost cause, I will not be in least offended if my participation ends here.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'W Higginbotham', with a large, sweeping flourish extending to the right.

W Higginbotham