

**SUBMISSION BY**  
**DMG RADIO AUSTRALIA**

**PARLIAMENT OF AUSTRALIA**

**House Committee on Communications, Transport and the Arts**

**Radio Industry Inquiry**

## INTRODUCTION

- 1.1 DMG Regional Radio Pty Ltd (“**DMGRR**”) through its subsidiaries owns and operates 57 AM and FM commercial radio broadcasting stations (“**commercial stations**”) in non-metropolitan Australia. DMGRR is owned by DMG Radio Investments Pty Ltd (“**DMGRI**”). DMGRI through its other subsidiaries owns and operates an AM commercial station in Adelaide and will soon own and operate an FM commercial station in Sydney. DMGRI is owned as to 75% by Daily Mail and General Trust plc (“**DMGT**”) and as to 25% by GWR Group plc (“**GWR**”). DMGT and GWR are listed public companies in the United Kingdom.
- 1.2 DMGT, GWR, DMGRI, DMGRR and their subsidiaries (collectively “**DMG Group**”) supports this review of the adequacy of radio services in non-metropolitan Australia and is committed to the relationship between its commercial stations and the local communities which those stations serve in non-metropolitan Australia. DMG Group therefore supports this inquiry announced by the Minister for Communications on 8 September 2000 (“**Inquiry**”).
- 1.3 DMGT is the ultimate parent company of DMGRR. Today it has significant global metropolitan media interests. However, DMGT first built its reputation and credibility on an absolute commitment to non-metropolitan communities. The Harmsworth family founded DMGT. Their media industry origins were in local newspapers in non-metropolitan England. Those origins have been retained and expanded by DMG Group. It now serves non-metropolitan communities around the globe. DMG Group even today owns and operates more regional and rural newspapers, and commercial stations, than virtually any other global media group. Appendix 1 is a list of some of those newspapers and commercial stations.
- 1.4 DMG Group goes beyond conventional media in order to serve non-metropolitan communities in Australia. It owns and operates independent and advanced colleges of education throughout Australia. The enrolments of those colleges include students from regional and rural areas who choose to undertake, complete or further their career and professional education through our colleges. It also owns and operates a large number of exhibitions and other shows in industries as diverse as building materials and supplies, woodwork and construction, home appliances and interiors, and lifestyle products, in Australia. These exhibitions and shows are promoted in regional and rural areas and many local businesses are given an opportunity to promote their products and services through their participation. Attendance at these exhibitions and shows by residents of regional and rural areas is also significant. Appendix 2 is a list of some of those colleges, exhibitions and shows.
- 1.5 DMG Group therefore has both a rich history and current philosophy of absolute commitment to regional and rural communities. DMG Group has considerable experience with and therefore understands what is important to those communities. DMGRR continues that commitment in all of the communities it serves in non-metropolitan Australia.
- 1.6 DMGRR believes that it satisfies that commitment through the localism that it achieves at its commercial stations. This is confirmed by the surveys and research which we undertake within our local communities. DMGRR also believes that localism is about the relevance to its communities of what is broadcast on its stations. Localism is not about how many people are employed at a physical location. We have found without exception that the way we satisfy audience demands is through our focus on relevance and is not

through any misunderstood focus on the number of people employed. Having said that, we are nonetheless proud that we employ today more people than were employed by the former owners of our stations in 1996.

1.7 DMGRR is dedicated to and driven by two principles:

- ask listeners what they want; and
- thereupon, give listeners what they tell us they want.

We call this our “listener feedback program”. We make a considerable annual investment in surveys and research in furtherance of that program.

This is the approach taken in regional and rural media worldwide by DMG Group. We have expertise, experience and track record in the pursuit of these principles.

1.8 DMGRR measures quality by reference to the views of its local communities (ie the views of listeners and potential listeners). Based on the surveyed views of the local communities which we serve, we are confident that we provide to those communities:

- outstanding quality of programs;
- outstanding quality of reception;
- outstanding quality of material relevant to those communities; and
- outstanding commitment to issues relevant to those communities.

DMGRR has undertaken extensive surveys and research which support these conclusions by reference to the views of the local communities which we serve.

DMG Group therefore welcomes the opportunity to demonstrate its performance in each of these areas through this submission to the Inquiry.

1.9 DMGRR submits that the opinions of audiences are the most important thing in any determination of the adequacy of the services provided by its commercial stations. DMGRR therefore submits that it is critical to recognise that the audiences in our local communities have expressed real satisfaction with our services. This is demonstrated by surveys and research. Accordingly, it is not just our belief. It is also the belief of our audiences. It is also the position of the audiences we have asked that they *prefer* the services we now provide since the establishment of our hubs. We have received less than two dozen logged complaints about program quality and content since the introduction of the hubs. That is a remarkable result given the number of commercial stations we own and operate.

1.10 DMGRR is happy to undertake research, at its own cost, into any audience attitudes or other relevant issues on which clarification is required by the Inquiry. We have the infrastructure and skills to provide that assistance.

1.11 New technologies mean that the electronic delivery of information, music and entertainment services has changed forever. Those services are now of superior quality and relevant compared to one, two or three decades ago. Our audiences require that we provide them with services which are consistent with and reflect the benefits of these new

technologies. We are proud that we have been able to use new technologies to deliver to our audiences programs of the quality and content which they demand.

- 1.12 We are also proud that we have been able to improve the quality and content of our programs and the delivery of our services to audiences despite the issue of a very significant number of new commercial licences to compete against us in our markets. Regional and rural markets are very small by most standards. More new commercial licences were issued in Mackay than in Sydney. More were issued in Cairns than are about to be issued in Melbourne. We were faced with the same experience in many of our other markets. We do not believe that the issue of those new licences was justified. However, this is not the place to embark upon that discussion. We submit that it is important to note, however, that our commercial stations over the past few years have been faced with new competition from new commercial stations, as well as new competition and increased audience demands based on new technologies and, even in that difficult context, we have been able to improve the quality and content of our programs and the quality of our services overall. We believe that these are important points.
- 1.13 We also think it is worthy of note that *all* of our programs are produced in Australia. They do not come from the UK or the US (or anywhere else). We know that none of the commercial television networks come even close to this. It is inappropriate to focus on questions of localism, or even nationalism, for commercial radio, if the same focus is not put on commercial television.
- 1.14 We believe we will demonstrate throughout this submission that the quality and content of our programs is not only acceptable to, but applauded by, audiences in all of our local communities. And the same reaction is recorded by advertisers. Complaints from individual listeners are very rare (as noted above). However, there have been at least two planned campaigns against us. We believe that those campaigns do not represent individual listeners but, to the contrary, they represent:
- existing or potential competitors who can see commercial benefit for themselves through their pursuit of these campaigns;
  - former radio industry workers who do not now work with us and who see that their prospects of employment with us are modest unless they embark upon multi skilling and embrace new technologies;
  - local identities who see an opportunity to capitalise on the emotion which attaches to perceived issues of employment or to perceived issues of localism.

There are two points to make about these groups of people. First, we suggest that they may be motivated as much by self interest as by any concern for audience demands. We note that their campaigns are not made by reference to objective evidence of those demands. These groups do not reflect concerns of our audiences and, to the contrary, our audiences are in strong agreement with what we have done. Secondly, criticism of us in their campaigns may be based on a misunderstanding about our record on employment, our record on free airtime and our record on localism.

- 1.15 The first of the two campaigns involved letter writing to the press and to parliamentarians and others (using names such as “Peter Johnston”). It was a prank and a hoax. We have proved that it is dishonest and without foundation. It was also malicious and damaging to us in the industry and beyond. Regrettably, this campaign was taken seriously by some people until we proved its falsity. This campaign cannot be ignored by the Inquiry. It

must be exposed. The second campaign is in Wagga Wagga. It is mounted by a potential competitor and we ask that it be viewed in that light by the Inquiry. That campaign also reflects a misunderstanding of the law and is isolated (ie no such campaign has been embarked upon against us in any of our other local communities).

- 1.16 A number of parliamentarians, councillors, business people and others have expressed very strong support for our commercial stations. Quotes from their interviews are included in Appendix 6. In our view, it is pertinent to note the following comments made by the Honourable Kevin Wales, Mayor of Wagga Wagga:

*“Local radio is very important to rural communities. 2WG plays a vital role in the Wagga community. It is interested and involved in local events and issues. It works with the City in getting a positive message out. I have a regular monthly talk show on 2WG which ensures local issues are known and discussed. I initially had reservations about the hub arrangement. But they have been unfounded and the community service is as good as ever.”*

- 1.17 DMG Group therefore submits that audiences are in agreement with the quality and content of its programs and that the campaigns set against it may be based on self interest and, in our view, they are incapable of support on any measured or objective basis. Our commercial stations are in an excellent state. That is great for regional and rural Australia.

## EXECUTIVE SUMMARY

- 2.1 DMG Group not only has an absolute *commitment* to localism in its non-metropolitan markets. It goes beyond that. Commercial stations operate in a competitive environment. They must succeed in a business sense. We are convinced that localism is *fundamental* to that and without appropriate focus on localism commercial stations will not survive. Regional and rural communities have access now (or will have in the very near future) to internet radio, pay television, datacasting and other means of electronic delivery of information, music and entertainment services. Those means can provide information, music and entertainment just as well as radio (and in many cases without the same level of advertisements). Commercial stations must therefore provide something extra to succeed. They will be beaten hands down by other means of electronic delivery unless they are able to provide something extra. We are convinced that the something extra is *localism*.
- 2.2 DMG Group supports the commitment to new technologies which has been expressed by the Federal Government. Australia must keep up with the rest of the world. New technologies must be available to every person (whether they live in metropolitan or non-metropolitan communities). New technologies mean that the electronic delivery of information, music and entertainment services has changed forever. Those services are now of superior quality and relevance compared to one, two or three decades ago. The quality of reception for most of these services is very good. The ability which now exists to focus on specific and niche audiences was only a dream even five years ago. Professionalism and training means that those who deliver the services do so in a more skilful way. Research of audience attitudes means that the services themselves are more relevant.
- 2.3 New technologies have therefore had two major effects. First, they have given rise to more competition for audiences (because there are now many more delivery services). Secondly, they have lifted the bar in terms of skills and relevance (from the perspective of the programming of services and the targeting of audiences). Both these effects are good. There is no turning back.
- 2.4 DMG Group has been told by its audiences that localism in its commercial stations should be achieved in accordance with the standards set by new technologies. Localism does not mean that live programs must be broadcast around the clock from a studio in the main street of a regional or rural city or town. Localism does not mean that the studio in that main street must employ a team of people who base themselves at that studio. Localism does not mean that a commercial station cannot be relevant to the community it serves just because it broadcasts programs which are produced somewhere else. These old approaches do not enable the quality of service which is now demanded by audiences and which we now provide. They do not enable the use of new technologies to achieve that quality of service. And therefore these old approaches gave rise to services which were adequate (although inferior) in the past but which are not adequate today.
- 2.5 Our extensive research over many years establishes that what we now provide is what audiences want. To be quite specific, audiences have told us, time and time again, that their demands are as follows:
- music which is consistent with their tastes;
  - entertaining and informative breakfast programs;

- other programs of outstanding quality (which is a reference to skilled announcers and professional production);
- information which is relevant to their local communities; and
- reception which is excellent (which is a reference to minimum interference).

We go out of our way to satisfy these demands and our surveys and research show that we succeed in doing that. To return to the old way would not enable us to meet those demands as well as we do today. It would be to insult our audiences. It would also be a bad business decision because we would lose audiences and therefore advertisers.

- 2.6 DMG Group commissions very sophisticated surveys and research. We have done so since we first moved into regional and rural areas in Australia in 1996. Over all that time we have moved further and further away from the old methods of broadcasting. And over that time our research shows that audiences are more and more satisfied with our services. We are very proud that in all of our markets at least one of our stations has always been the most listened to station when surveys are undertaken. That is a fantastic record. Obviously we must be doing something right.
- 2.7 We in fact were the first radio group to introduce regular research on a sophisticated basis in regional and rural radio (every week). It was a major investment for us to develop and implement those systems. It was our view that it is impossible to program commercial stations without obtaining the attitudes of listeners on a regular basis. Other radio groups now follow suit. This means that commercial radio in regional and rural areas today is programmed in direct response to audience demands whereas, in the past, it was programmed according to the views of the owners and operators. This is a very positive development. It means that listeners determine just what they hear. It means that local content is defined by reference to what they want to hear and not by reference to something which is imposed on them. It means that owners and operators no longer attempt to define these things for listeners. The wheel has turned and listeners now define these things for owners and operators. That is how it should be.
- 2.8 Audience demands are dynamic. They are not static. That is why we undertake surveys and research on an ongoing basis. Our programming changes in response to changes in audience demands. Commercial stations must do that or, in the long term, they will go out of business or at least be less successful. They survive on the revenue they earn from advertisers. Their ability to earn that revenue depends on their ability to deliver audiences to advertisers. Their ability to deliver audiences to advertisers is measured by reference to ratings. Ratings reflect the ability of the commercial stations to satisfy audience demands. And the circle is then complete. It follows that the programming of commercial stations must change when audience demands change. Otherwise they will not be as attractive to advertisers and they will not achieve success in a business sense.
- 2.9 DMG Group accepts that from time to time its commercial stations may not provide complete satisfaction of audience demands. That is inevitable. But as soon as that is recognised, we change our programming. We aim to move towards complete satisfaction of those demands. We believe that our surveys and research are sophisticated and therefore we are better able than most to gauge, and then change our programming and move towards complete satisfaction of, audience demands. And we are able to change our programming and move towards complete satisfaction of those demands in very quick time because our surveys and research are ongoing, and our technologies enable us to

achieve rapid change. In most of our market this process is a continuum and is not just undertaken at long intervals.

- 2.10 In conclusion on this point, therefore, our commercial stations satisfy audience demands and any suggestion to the contrary cannot stand up to scrutiny by reference either to business logic (if our commercial stations do not satisfy audience demands we will go out of business) or by reference to objective data (our surveys demonstrate that we are very popular with audiences). DMG Group submits that any suggestion to the contrary should be viewed in this light.
- 2.11 DMG Group accepts that in some cases that argument might deserve further analysis if it suggests that commercial stations do not satisfy the demands of some small sections of local communities. That is obviously possible. Commercial stations must focus on mainstream or majority audience demands. That is what makes them attractive to advertisers. This necessarily means that the demands of some small sections of our local communities might not be satisfied by commercial stations if those demands are not consistent with the demands of the mainstream or majority.
- 2.12 Our legislative framework recognises this situation. It does not penalise commercial stations because they cannot satisfy the demands of small sections of their local communities. Rather, some of those demands are intended to be satisfied by community radio broadcasting stations (“**community stations**”). Some of those demands (as well as many other demands) are also intended to be satisfied by national radio broadcasting stations and special radio broadcasting stations (collectively “**national stations**”). To argue that there is no avenue to satisfy the demands of small sections of the local communities is therefore wrong. Community stations and national stations exist for that purpose.

We support the legislative framework as it now exists. There is no need for change.

- 2.13 Commercial stations do not get government support. That support is given to national stations (through direct funding) and community stations (through the issue of licences without charge). In contrast, over at least the past decade, the only government action in direct relation to commercial radio, in regional and rural areas, has been to subject us to more competition. The ABA issued many new commercial licences in regional and rural markets which could not immediately support those licences. By way of example, there was a 100% increase in the number of commercial licences in Townsville, Cairns, Mackay and Rockhampton, and a 50% increase in Albury, Pt. Macquarie, Coffs Harbour and other markets. In contrast, there was only a 10% increase in Sydney. Yet based on its population and economy, Sydney could immediately support many more new commercial licences and its capacity to do so was infinitely better than the capacity of the regional and rural markets. These increases in competition meant that our commercial stations had to find new ways to meet audience demands and therefore earn revenue from advertisers. We did this in conjunction with new technologies and, when we asked our audiences about it, they helped us to discover new ways to provide them with even more of what they want. Commercial necessity has played a part in driving us towards even better services. Business processes like this are at the very heart of the commercial system. We submit that we have responded to commercial necessity in a way which is consistent with our commitment to our audiences (and which has in fact increased the quality of the services they receive).
- 2.14 If there are suggestions that commercial stations do not satisfy audience demands then, in our view, those suggestions:



- should be ignored, if they refer to the demands of the mainstream or majority of their local communities because, under our legislative framework, it is for commercial stations to gauge and then satisfy those demands and, if they do not, they will fail in a business sense; or
  - should be redirected, if they refer to the demands of small sections of their local communities because, under our legislative framework, it is not intended that commercial stations should satisfy those demands.
- 2.15 DMG Group as an owner and operator of commercial stations is therefore required in a business sense to satisfy the demands of the mainstream or majority of the local communities which it serves. That is the focus of our surveys and research.
- 2.16 Our surveys and research demonstrate that to satisfy those demands we must achieve *relevance*. And to achieve relevance for the mainstream or majority it is necessary that they *hear* what they want to *hear*. This means that to provide localism is to focus on *relevance* of services to the mainstream or majority of our regional and rural communities. That does not require local resident employees to broadcast live programs from a local studio all day. Rather, new technologies mean that local news, weather, current affairs, sport and other items of significance can be effortlessly collected and communicated to a hub or other point whereupon they are simultaneously broadcast into the local communities. And that is together with the broadcast into those local communities of music which is consistent with their tastes. And we are able to invest time and money in the collection and communication of news, weather, current affairs, sport and other items of significance, and in the identification of appropriate music. All of that is then broadcast together with other programs which have been produced in world's best quality studios with world's best facilities and with the benefit of world's best survey and research techniques, which means that those programs are relevant to our audiences.
- 2.17 This is the best mix. This is localism. It works. Regional and rural communities in this way obtain the very best and most relevant of the complete mix of news, weather, current affairs, sport and other items of significance, music, entertainment and information, and other programs which represent *what the people want* and of the *best quality*.
- 2.18 Localism does not mean the live broadcast of programs around the clock from a local studio. Localism is not the same as local physical presence. Moreover, local physical presence does not guarantee localism. It never has and never will. Localism is about relevance and not about physical presence. Localism is about sourcing news, weather, current affairs, sport and other items of significance, from or in respect of the local community. It is about research into what that community wants to hear and then broadcasting it. New technologies help us to achieve this. People who do not accept that this is localism would prefer that we give up the advantages of new technologies and revert to an era where electronic delivery of information, music and entertainment services is retarded by reference to antiquated technologies. These people would like to pretend that new technologies do not exist. They think that localism can be measured by reference to the simple question of how many hours are broadcast live from the local studio and how many hours are broadcast from a hub or elsewhere. That question is irrelevant. The assessment must be by reference to what is broadcast and not where it is broadcast from. We are more than ready to participate in a debate about *what* is broadcast. But a debate about *where* it is broadcast from is meaningless to our audiences.

- 2.19 New technologies mean that in many cases we are able to ensure that our programs contain more local news, weather, current affairs, sport and other items of significance, than at any time in the past. That is because many announcers in the past were not convinced that local material was of enough interest to broadcast. So they passed over it and just kept on with their other material. This cannot happen today. Our hub programming contains numerous windows for the insertion of local bulletins. It is impossible to ignore those windows. There would be silence on the airwaves if that happened. And so it is now essential that local employees and other journalists obtain and convey local material so that it can be produced into local bulletins which are inserted in the allocated windows.
- 2.20 DMG Group has invested more money (ie hard cash) in regional and rural radio than any other owner or network in the history of Australia. This is not a reference to the prices paid for the commercial stations. It is a reference to the money we have invested in new buildings, new transmission broadcasting and production facilities, new news and current affairs facilities (including journalists), improved national and local training for announcers, programmers and sales staff, improved survey and research programs and training, new dedicated internet and email links across the country, and engineering facilities, etc. These things were absent when we came in. We have thus introduced a new level of professionalism and quality. This is recognised throughout the industry. One example is the Raward referred to in Appendix 8. There have also been other Rawards.
- 2.21 More than \$24 million has been invested into hard assets alone in Albury, Bunbury and Townsville, and in technology links, engineering facilities and other capital equipment in Albany, Bendigo, Bridgetown, Busselton, Cairns, Charters Towers, Coffs Harbour, Collie, Dubbo, Emerald, Esperance, Gladstone, Griffith, Kalgoorlie, Katanning, Mackay, Mareeba, Merredin, Mildura, Mt. Gambier, Mt. Isa, Narrogin, Northam, Orange, Pt. Macquarie, Rockhampton, Roma, Wagga Wagga and Young. No other owner or operator of commercial stations in regional and rural areas has invested even a fraction of this amount in the history of Australia. We have done this because we believe in regional and rural communities. It is this investment which enables us to provide the quality of services which we do and, with respect, it is that investment which enables us to provide services which are better and more relevant to our local communities than the services provided by others.
- 2.22 It goes further than that. Our development of world's best studios and facilities at the hub sites has allowed us to offer careers to programmers and announcers who previously would have been stuck in makeshift studios all their lives; to invest even more resources into surveys and research on a larger scale than even before possible (thereby enabling us to determine better than ever what is relevant to our local communities); to localise news and current affairs services in markets where previously those services were provided exclusively from metropolitan cities; to provide significant centres of employment at the hub sites without significant reductions of employment in other markets; to coordinate access by national advertisers into regional and rural communities (which must be good for those communities in the long term) without denying access to (and in fact encouraging and increasing) local advertisers; etc.
- 2.23 As noted above, we have undertaken capital expenditure in regional and rural areas of more than \$24 million. We continue to invest in those areas every day. Our salaries and wages bills are on the increase in real terms and that has been the case since 1996. "Peter Johnston" and other campaigns suggest that we will cut our investment in regional and rural areas so we can afford to move into metropolitan cities. That is just wrong. We

continue to spend more, not less, in regional and rural areas. Suggestions to the contrary cannot stand up.

- 2.24 We should focus just on employment for a moment. We employ more people today in all of our regional and rural markets than the number who were employed in those markets before we acquired any of our commercial stations in 1996. Many people do not seem to be aware of this.
- 2.25 DMGRR today employs 457 people in regional and rural markets (and another 9 people in Sydney). In 1996 the total number of people employed by the previous owners in all of those cities and towns was only 449 (excluding Sydney). That number in early 1998 was 478. That was the high water mark. We do not believe that that number would have been exceeded at any time before our ownership.
- 2.26 The location of our employees in non-metropolitan markets has changed. We now employ 56 people in Albury, 38 people in Bunbury and 73 people in Townsville. Those numbers are much more than double what they were in 1996 in Albury and Townsville, and much more than what they were in that year in Bunbury. As a result, numbers of employees have fallen in most other non-metropolitan markets. However, those falls have in some markets been limited to one or two and there are only 5 markets where the fall has been by more than 7. It is also important to note that, except in a few large markets, it has been our policy, since the introduction of the hubs, not to make employees redundant in local markets, but just not to replace them upon resignation or retirement. We should also point out that total employee numbers in each of our markets are now at or around the levels projected when the hubs were introduced and, as a result, further resignations or retirements, in most cases, will be replaced.
- 2.27 This rearrangement of our employment profile was necessary in order to obtain the benefits of new technologies and to better satisfy the demands of our audiences. That is because the concentration of facilities and expertise at the hubs was necessary to be able to produce and broadcast programs of the quality required and to achieve reception of the quality required (and to obtain all of the other benefits identified above in connection with the hubs).
- 2.28 Our establishment of the hubs continues to provide career paths for local announcers, journalists, programmers and other professionals. Virtually all of the new positions created at the hubs were filled by announcers, journalists, programmers and other professionals who came from our local markets. That trend is continuing and there is no reason to think that it will stop. The hubs provide a very clear and visible progression in the development of our staff.
- 2.29 DMG Group continues to incur significant salaries and wages bills in each of its local markets and continues to spend significant amounts of money with local businesses in those markets. These things continue to provide a stimulus to those economies. In some markets the amounts involved are very high. In other markets, the amounts are not so high. But across the board, the amounts injected by us into those economies, in each case, are in proportion to the revenue we earn from advertising in those markets. That accords with sound business principles.
- 2.30 We also point out that commercial radio stations are not and have never been major employers in regional and rural markets. We are not like some other industries. We are not labour intensive and that was so even before the introduction of new technologies. We doubt whether any of our commercial stations would be, or have ever been, amongst

the top few dozen employers in their markets. We do not intend to marginalise employment issues. However, it is essential that we point out that our commercial stations are not and have never been a critical part of the overall fabric of employment in their local communities. With respect, for a couple of jobs to be moved from a local radio station to a hub is not the same thing as tens or hundreds of jobs lost outright through the closure of a local manufacturing plant or bank branch.

- 2.31 Moreover, our analysis confirms that we are very significant “givers” in each of our markets (ie salaries and wages paid and expenses incurred with local businesses in each of our regional and rural markets exceeded \$30 million for the full financial year 2000).
- 2.32 DMG Group also emphasises the very significant distinction between the approach it has taken in regional and rural markets as opposed to the approach taken in those markets by companies which operate in other industries. Critics of commercial stations may not recognise this distinction. Banks have closed their branches. In some cases they no longer employ people and have withdrawn their services. Insurance and other financial services companies have done the same. Manufacturing companies have closed plants. Employees have lost jobs and local economies have lost the amounts which were put into them by those companies in the past. We have done no such thing. We do not just continue to meet audience demands but, on top of that, we meet those demands even better than in the past. We have not withdrawn our services. We continue to provide them and, in fact, we provide them better. We continue to be “givers” in each of our local economies. It is understandable that regional and rural communities are fearful as a result of what has been done to them by other industries. But we just cannot be compared to that.
- 2.33 DMG Group also regards localism as something more than local news, weather, current affairs, sport and other items of significance, and music and other programs which satisfy audience demands. Localism also means involvement in local activities. It extends to promotion and sponsorship of charities, sponsorship of fundraising for community purposes, sponsorship of emergency services, presence and input into community events, support for new local businesses, etc. Our surveys and research show that audiences recognise and appreciate these things. We have a demonstrable history of significant positive contributions in all of our local communities in each of these areas. The aggregate amount of our direct donations to charities and community causes, coupled with the market value of free advertising and sponsorship time, across all our regional and rural markets, was a staggering \$22 million for the full financial year 2000. That number has increased steadily since 1996. We recognise that it includes free advertising and sponsorship time at market value. We also recognise that in some cases it may not always be possible to sell that time at market value. Nonetheless, it still represents a very significant proportion of the total amount of revenue earned from advertisers. We do not believe that any other industry or, in fact, any other company in this industry, could match our performance in that regard.
- 2.34 A campaign has been set against us in Wagga Wagga. We will refer to that campaign in a bit more detail later in this submission. However, that campaign does not reflect the opinions of audiences in Wagga Wagga. It does not reflect the attitudes of the mainstream or majority of the local community of Wagga Wagga. This campaign seems to reflect only the views of former radio industry workers and some local identities who are disappointed that we did not decide to locate one of our hubs in Wagga Wagga. We understand the position of former radio industry workers who are no longer radio industry workers and who wish to create a new forum for their employment. We also understand the position on some local identities who can see the opportunities which would have

been given to them if we had established one of our hubs in Wagga Wagga. But the attitudes of these people do not reflect the attitudes of the audiences in Wagga Wagga. To be frank, that is the answer to their campaign.

- 2.35 We again point out that the views put forward in that campaign are not shared by the Honourable Kevin Wales, Mayor of Wagga Wagga. He is quoted as having said that our commercial stations are interested and involved in local events and issues, that they work with the local communities, that they ensure local issues are known and discussed, and that community service is as good as ever after the introduction of the hubs. We submit that this is very pertinent. It discredits the force of that campaign and reinforces our view that it is a campaign motivated by self-interest and not by audience demands.
- 2.36 From time to time over the past couple of years, editors of major newspapers have published letters from a Peter Johnston of 207 Darling Road, East Malvern. He has also written to parliamentarians in our regional and rural markets. In the early stages, similar letters were published in the name of Peter Townsend. All these letters were critical of DMG Group. They make points which are remarkably similar to points which have been made in interviews and media reports by one of our major competitors. They question our commitment to localism. Peter Johnston has made no attempt at any stage to contact us. Accordingly, we made very significant attempts to contact him. We were surprised to determine that no one by that name lives or works at 207 Darling Road, East Malvern. His identity is a complete mystery to those at that address. We are forced to conclude that these letters do not represent genuine concerns by the person who purports to have written them. They appear to be nothing more than a prank or hoax orchestrated by one of our major competitors. We submit that this must be taken into account in the Inquiry. In fact, in our view, this campaign must be exposed by the Inquiry.
- 2.37 Another letter has just been published from a John “Long John” Chapman. We will refer to it again later in this submission. However, that letter gives rise to the same suspicions and its origin should also be pursued by the Inquiry.
- 2.38 DMG Group is positive about the long term benefits of digital radio. It also believes that those benefits should be significant in relation to regional and rural areas. It might even be possible to develop data and other services to be delivered to the local communities by digital means in addition to the services already provided by analogue radio. However, it will take many years before it is possible to achieve that result. Internet access is much more important to local communities in the meantime. We imagine that many more people in local communities own personal computers today than would own digital radio receivers even a couple of years after digital radio is introduced. That is consistent with the experience in other countries.
- 2.39 DMG Group provides a total package of commitment and service to the regional and rural communities which it serves. Moreover, we do so in keeping with the new age of service delivery and consistent with our country’s objective of leading the world in new technologies.
- 2.40 We invite members of the house committee to visit our hubs. We would be delighted to provide you with hands on experience of what we do. We also invite you to listen to our commercial stations in any of our markets. We are confident that you will be impressed by their quality.
- 2.41 The rest of this submission develops or expands upon some of the points made in this executive summary.

## NEW TECHNOLOGIES

- 3.1 Radio is the great survivor. It has faced many challenges throughout its history. Those challenges have often been predicted to spell the demise of commercial radio as a mass medium. Some people predicted that television would do it. Some then said that colour television would be the end of commercial radio. It was then thought that pay television and other subscription services would finish us off. Portable music machines of high quality (eg the walkman and then discman) and analogue video machines were all expected to diminish the popular appeal of radio. But commercial radio adapted and survived. Now it is expected by some that commercial radio will be knocked out by the internet. We are confident that radio will survive and prosper, and will not be knocked out by the internet. However, it will only survive and prosper if it operates and structures itself in the modern way. To continue to do things in the “old way” will lead to the demise of radio as a commercial mass medium. As we have done many times in the past, we must adapt once again. It is through new technologies that we are now able to do that. Owners and operators of commercial radio must use new technologies to become better. Ironically new technologies will make us redundant unless we use them in that way.
- 3.2 Radio is just like any other industry in our community. It is affected by and must respond to new technologies. Those technologies impact on radio in the same way as they impact on other industries. Those ways include the following:
- new technologies mean that radio faces new forms of competition for audiences;
  - new technologies mean that audiences demand better services from radio;
  - new technologies mean that radio can improve the quality of the services it provides to audiences;
  - new technologies mean that radio can deliver those services to audiences via new processes; and
  - new technologies mean that radio must provide those services to audiences through more efficient processes.
- 3.3 New technologies give rise to both benefits and burdens for our communities. If we focus just on radio and, in particular, commercial stations, some of the benefits and burdens are as follows:
- new technologies mean that audiences have access to many more information, music and entertainment services (eg internet radio, pay television, datacasting, video on demand, teletext and a myriad of other services);
  - new technologies mean that production facilities are able to create superior quality programs (whether for dissemination by radio or by other means of delivery);
  - new technologies mean that the reception of programs is now of superior quality (whether by radio or by other means of delivery);
  - new technologies mean that news, weather, current affairs, sport and other items of significance can be sourced, processed, produced and then delivered to audiences many times faster than before (whether by radio or by other means of delivery);

- new technologies mean that it is essential to invest in the capital equipment and other infrastructure necessary to be able to produce the above benefits;
- new technologies mean that audiences demand those benefits (because they know they are available) and therefore they require that investment to be made;
- new technologies mean that people must be skilled to work with those technologies and must be located where the investment is made;
- new technologies mean that people who are not skilled to work with those technologies are in less demand;
- new technologies mean that investment in capital equipment and other infrastructure must be efficient (if that investment is to enable audiences to obtain the benefits above);
- new technologies mean for commercial stations that investment in capital equipment and other infrastructure must be concentrated in some locations (but with significant other investment in all locations) in order to be efficient;
- new technologies mean that the location and skills, but not necessarily the total number, of employees will change for commercial stations; and
- new technologies mean that this progression is inevitable for commercial stations because of their need to be attractive to advertisers and therefore to satisfy audience demands (which now reflect the benefits above).

3.4 The developments which have resulted from new technologies are very exciting. An engineering description of our new technologies is contained in Appendix 8. We are in a new age. This age has made audiences aware of the benefits they can expect. Audiences want those benefits and commercial stations must respond. We have no choice. The changes we have made in the delivery of our radio services were essential and cannot be turned back.

These changes were essential because without them:

- we could not provide services of the quality expected by audiences; and
- we could not continue to be as attractive to advertisers (because sections of our audiences would have turned to other stations or to other means of delivery).

These changes cannot be turned back because to do that:

- would not enable us to continue to provide services of the same quality;
- would therefore show disregard for our audiences;
- would therefore cause our ratings to fall (as sections of our audiences turn to other stations or to other means of delivery);
- would therefore make us less attractive to advertisers and diminish our success in a business sense;

- would therefore render our significant investment in capital equipment or other infrastructure less effective; and
- would therefore be less efficient both for audiences and us alike.

3.5 DMG Group believes that it is very important to understand these points as they affect regional and rural communities. One thing is certain. Metropolitan communities obtain most of the benefits above. That is not going to change. There is no inquiry into metropolitan services. To force metropolitan services to change and thereby to take away the benefits above from metropolitan communities would lead to significant audience aggravation. We do not think that will happen (and certainly not out of this Inquiry). So to require changes in regional and rural communities and therefore to take away from them the benefits above would only widen the gap between metropolitan and non-metropolitan communities. It would mean that metropolitan communities would continue to receive services of a quality which is not available to non-metropolitan communities. It would be to treat non-metropolitan communities as second class communities who are not entitled to enjoy the benefits of new technologies.

3.6 Those communities would then lose interest in radio as a mass medium because it would not be able to offer services of the same quality as other electronic media. Radio would fade from their lives. It is not possible to turn the clock back and then make people listen to radio. It would be necessary just to hope that they still listen. And we do not think that they will. Over time they will give up on radio. What we are doing is designed to ensure that they never give up on us.

3.7 Some regional and rural communities have suffered a lot over recent years as a result of the action of companies in other industries. We recognise this. We also recognise that we now employ a few less people in some of those communities. We reiterate, however, that it is only “a few less people” and it is only “in some of those communities”. The numbers are very small in terms of people and communities. Our developments have not had even a fraction of the negative impact which has been thrust upon those communities by companies in other industries. And our developments have actually lead to the provision of better quality services to those communities. And we continue to be “givers” in those local economies because we continue to pay salaries and wages, and incur other expenses. Nonetheless, as stated, we do appreciate the concern which is entrenched in some of those communities. The way to deal with that concern is not to ask or require us to turn the clock back. That cannot work. Positive and forward thinking responses are required. With respect, we believe that governments should invest more time and money in the following areas in those communities:

- increased education and training in computers and in careers which enable people to live and work with new technologies;
- reduced telecommunications and other costs so that regional and rural communities have even better access to new technologies.

The way forward is to plan for the future. It is not to lament the past.

3.8 We are not alone in our position. In March 2000, the Productivity Commission published its Inquiry Report into Broadcasting (“**Productivity Commission Report**”). On page 3 it is made very clear that:



*“Regional consumers and broadcasters would be disadvantaged by policies that deepen the digital divide between country and city. They should not suffer from regulatory restrictions on the type or amounts of services they receive.”*

The Productivity Commission recommends that there be no distinction in the treatment of broadcasting and related media services in metropolitan and non-metropolitan areas. To make any distinction will lead to the inevitable result that the divide between metropolitan and non-metropolitan areas becomes wider. The Productivity Commission on page 32 of the Productivity Commission Report concludes that in all of our communities:

*“New technologies entail both threats and opportunities. Although the direction and speed of convergence are unclear, continuing change in the media and telecommunications industries is certain. Broadcasting policy cannot remain anchored in the past; it must embrace the future; without a liberal regulatory regime, Australia will not enjoy the fruits that technological change is now making possible.”*

DMG Group with respect agrees wholeheartedly with the Productivity Commission.

3.9 DMG Group has implemented the following broad business structure in order to best serve its local communities:

- three substantial hub centres have been established in Albury (to service those of our commercial stations in the south east of the country), Bunbury (to service those of our commercial stations in the west of the country) and Townsville (to service those of our commercial stations in the north of the country);
- more than \$24 million has been invested in capital equipment and other infrastructure in those hubs and in each of our other markets (and that investment is consistent with new technologies);
- 105 skilled people are employed in our hubs and all of them work with new technologies;
- very significant numbers of people continue to be employed in each of our other markets (in total being 352);
- news, weather, current affairs, sport and other items of significance are gathered on an ongoing basis around the clock by our local employees or by other journalists in each of our markets and that information is conveyed direct to the hubs by instantaneous dedicated email and telephone links;
- the hubs produce local information bulletins immediately upon their receipt of that information;
- advertisements are sourced by our sales people in each of our markets and advertising contracts are conveyed direct to the hubs;
- advertisements are then produced at the hubs;

- breakfast programs are live in each of our markets (and almost all of those programs are broadcast direct from the local studios in those markets and not from the hubs);
- the other programs broadcast each day in each of our markets comprise an almost even mix of more live programs broadcast direct from the local studios, live programs broadcast direct from the hubs and pre recorded programs broadcast either from the hubs or via satellite feeds through the hubs;
- pre recorded broadcasts on average account for less than one fifth of all programs broadcast by our commercial stations (and most of them are late at night or early in the morning when the numbers who listen are very low);
- local information bulletins are inserted by the hubs into all of these programs, in most cases every half hour and, in all cases, no less than every hour, during peak listening times;
- advertisements are inserted by the hubs into these programs;
- all programs, local information bulletins and advertisements are produced with the very best facilities and by people with the very best skills and, as a result, the quality of programs, local information bulletins and advertisements is equal to anything in the world;
- managers of our commercial stations in each of these markets are able to interrupt programs broadcast from the hubs, at any stage, to insert their own items (and this is a critical element of our disaster and emergency procedures).

There is only one real exception to this structure. Some of the news bulletins in our Western markets are produced in Perth. However, they comprise items which are compiled specifically for relevant regional and rural areas of Western Australia. We have the ability to review and amend those bulletins (although we do not find that it is often necessary to do so because of their localised nature).

- 3.10 This structure works exceedingly well. We will outline below all of the objective evidence which demonstrates that this structure and its end product are supported by audiences. It is also supported by advertisers, employees and others.
- 3.11 At each of the hubs we employ significant numbers of programmers, producers, directors, announcers, journalists, engineers, technicians, computer programmers, sales people, copywriters, accountants, clerks and other workers. In each of our other markets, with only a very few exceptions, we employ managers, salespeople, programmers and announcers, and often journalists and other miscellaneous workers. We do not employ as many announcers in those markets as before and in most cases we do not employ as many technicians in those markets as before. Some tasks undertaken by local announcers in the past and many tasks undertaken by technicians in the past, have now moved to the hubs. They are the most significant changes. But those jobs have not been lost altogether. In most cases they have just moved from one location to another and they have not moved into metropolitan areas. They have moved to Albury, Bunbury or Townsville. And again we point out that the reductions have been very small in any event. The objective data in that regard will be identified below. We also point out that in many markets we now employ more salespeople than before and our aggregate sales force is larger today than before the introduction of the hubs. There has been a small change in the number of

journalists we employ but, against that, it is critical to recognise that we now have access to other journalists in all of our markets whereas, in the past, that was not so. At this point our purpose is to demonstrate that the impact of new technologies on the total number of people we employ has been insignificant and the impact of those technologies on the location of their employment has been less dramatic than some people might think. We have been able to minimise that impact and, at the same time, deliver to audiences all of the benefits which they expect and which can be obtained through new technologies.

3.12 In summary new technologies mean that:

- we can and do have live broadcasting of breakfast programs, in all cases, and live morning and drive programs, in most cases, because our surveys and research show that audiences value live broadcasting at those times of the day and, moreover, we can and do have live broadcasting of many other programs, at other times of the day, again consistent with the surveys and research of our audiences;
- we can and do respond to audience demands through ongoing sophisticated surveys and research and making changes to programming on an ongoing basis;
- we can and do centralise production staff at the hubs and therefore provide them with the best quality facilities and resources, and can therefore attract the best announcers and improve the quality of programs, local information bulletins and advertisements;
- we can and do centralise technical, computer and engineering facilities at the hubs and, through concentration of investment and critical mass, we can improve the quality of reception and improve the quality of traffic control;
- we can and do establish sophisticated and expensive dedicated email links from the hubs back to local employees and journalists in our local communities who seek, obtain and convey local news, weather, current affairs, sport and other items of significant interest, to the hubs on an ongoing basis and the hubs can and do produce and insert local information bulletins into the programs which are broadcast back to those local communities on an ongoing basis; and
- we can and do retain our ability to respond on an immediate basis to local disasters and emergencies, through the establishment of telephone hotlines and formal communications strategies with emergency services organisations, and through the ability of the hubs to produce and insert immediate disaster or emergency alerts into the programs broadcast from the hubs and, in extreme or urgent cases, through the ability of the local managers to disconnect hub programming at any stage and replace it with live broadcasting from the local studio.

It is also important to point out that our use of new technologies at the hubs differs from the network approach taken by some other commercial owners. That is, our hub programming is developed by an independent group of hub employees who are charged with responsibility to satisfy the demands of all of the local communities they serve *on an individual basis for each of those communities*. It is wrong to believe that the location of our hubs at Albury, Bunbury and Townsville just means that we produce conventional local programs in Albury, Bunbury and Townsville and then relay those programs to our various other local markets. Some other networks might take that approach, because they have not invested in the capital equipment and other infrastructure necessary to be able to

produce programs that are tailored to the specific needs of individual local communities. We have spent the money and therefore we are able to do that. What we produce at the hubs at Albury, Bunbury and Townsville is produced for the local communities served by those hubs on an individual basis. Obviously we also produce programs just for the individual markets of Albury, Bunbury and Townsville. But those programs are produced at the local studios in those cities and those local studios operate separately from our hubs. We believe we are the first network to take this approach. We believe it is important.

- 3.13 DMG Group also points out that our very significant investment in capital equipment and other infrastructure means that we can achieve all of the benefits associated with our hubs on a constant basis. Improvements in localism are ongoing. The hubs work on a continuous flow of information back and forth between them and the local studios. This is another area where we are different. It would be possible to embark upon networking in a cheap and one dimensional way. When that happens, networking becomes nothing more than the simultaneous broadcast of one centrally produced program out to as many local markets as possible and without any individual relevance or any local input. We agree that such structures do not result in localism. However, our structures are so far removed from those structures, that any comparison is meaningless. Again, the reason that our structures are so far removed from those structures is that we have invested so heavily in capital equipment and other infrastructure in regional and rural Australia.
- 3.14 Any move to dismantle the structure we have developed, which is based on new technologies, would mean that local communities in non-metropolitan areas would no longer receive the quality service which we are now able to provide them.
- 3.15 Our development of the hubs and all of the technologies to do with them has been recognised by the radio industry in a public way. We were awarded the Raward for Engineering Excellence at the Radio Awards presented on 21 October 2000. This is the pinnacle of industry recognition. A copy of the engineering description which formed the basis of the award is contained in Appendix 8.

## LOCALISM

- 4.1 As noted many times above, localism means relevance. It does not mean physical presence at a local studio. Our audiences have told us that they are only concerned about the relevance of what we give them. And they have told us how to define relevance. We will expand on this below. But one thing is clear. Physical presence is not the key. We serve our audiences in the ways they wish to be served. We give them relevance in the ways they define it. We succeed for that very reason. Our ratings are very strong and that is because of our relevance.
- 4.2 DMG Group agrees that localism must be one of the primary objects of commercial stations. In fact we go further than that. We maintain that commercial stations will not succeed, in a business sense, if they do not achieve the object of localism. Audiences now have many other means of delivery open to them. Internet radio may provide some sections of the community with the music they want and of the sound quality they want. Digital and compact disks can do that as well. Internet news and current affairs services, and dedicated news radio stations, enable that section of the community with a penchant for such information to get it whenever they want it. Dedicated pay television channels now do likewise. Video on demand, datacasting and teletext, and various other forms of information, music and entertainment delivery, enable most sections of the community to satisfy their more specific demands as and when those demands exist.
- 4.3 Commercial stations cannot compete with this. We cannot compete with internet radio for 24 hour niche music. We cannot compete with dedicated news radio stations and pay television channels for 24 hour news and current affairs. We cannot compete with other means of delivery which provide 24 hour services which are dedicated to very specific and niche tastes. We also broadcast advertisements on a regular basis and, although advertisements add a necessary boost to local economies (which we note is not a characteristic of most of the new media services), it is also relevant that advertisements constitute interruptions to the services provided by our commercial stations. Most of these other means of delivery either do not incur the same costs as us or they are provided on a subscription basis and, as a result, interruptions to those services, in the nature of advertisements, is either less or non-existent. Commercial stations would go out of business if they made an attempt to compete head to head with any of these other services.
- 4.4 Commercial stations must therefore find and use a special weapon to succeed. We believe that special weapon is localism. It is the only thing which can set apart commercial stations from all of these other services. We believe that we can attract and retain sufficient audiences in local communities if and only if the services we provide through our commercial stations achieve localism. Our surveys and research show that localism in this context is not a nebulous concept which can be manipulated by those who wish to argue that it represents something which it does not. Our surveys and research demonstrate that localism has nothing to do with the location of a studio, or the size of a workforce, or the place from which programs are broadcast, or anything else like that. In fact, our surveys and research demonstrate in at least one that a large majority of our audiences do not know (and do not care) about those things. But they do know (and do care) that the programs, local information bulletins and advertisements broadcast on our commercial stations are relevant and reflect their demands. Localism means that we undertake surveys and research of our local communities and we determine their demands, and we then provide services which are consistent with those demands. In our view it cannot mean anything else.

4.5 DMG Group therefore submits that there is only one way to determine if its commercial stations achieve their object of localism. That is to ask if the local communities served by those stations believe that their demands are being satisfied. We ask that through our surveys and research. They are clear in their conclusions. We do satisfy those demands.

4.6 We are not complacent. There is always room to improve. We work on that every day because, when all is said and done, every time we satisfy more of those demands, we become more attractive to advertisers and, every time we become more attractive to advertisers, we earn more revenue. It is again a basic business principle which results in our ongoing pursuit of gauging and then satisfying audience demands.

4.7 Our surveys and research demonstrate that those demands manifest themselves in the majority of cases as demands for:

- music throughout all times of the day which is consistent with the tastes of the local communities;
- entertainment and information at breakfast time which is relevant to the lives of the local communities;
- programs at other times of the day which focus on music and entertainment, and which emphasise the quality of production;
- local information bulletins throughout the day which are relevant to the local communities;
- support and promotion of causes and events in the local communities; and
- support and communication in times of disaster or emergency in the local communities.

It is axiomatic that if our commercial stations achieve these things then they achieve localism. If they do not achieve these things, then they do not achieve localism.

If they do not achieve these things then they must change or they will fail in a business sense. If they do achieve these things, then they will succeed in a business sense.

If they succeed then they must still undertake ongoing surveys and research in order to adapt, where necessary, so that they may continue to succeed. If they fail then they must also continue to pursue surveys and research so they can determine how to adapt to succeed.

These are the business tensions which ensure that our commercial stations achieve localism.

4.8 This analysis is by reference to audience demands. Obviously we do not pretend that our commercial stations satisfy every one of the audience demands which are determined through our surveys and research. That is impossible. We must therefore narrow down the audience demands which we choose to satisfy. We narrow them down by reference to what is attractive to advertisers. Although this approach will always be subject to nuances, by reference to the target characteristics of the audiences which our advertisers seek, we can assert with confidence, in regional and rural markets in particular, that it is the demands of the mainstream or majority which our advertisers seek and it is therefore

the demands of the mainstream or majority which we associate with localism. We do not deny the existence of other demands. But they are demands of small sections of the local communities and they do not reflect the demands of the mainstream or majority. It is not the intention of our legislative framework that commercial stations should satisfy the demands of small sections of the local communities. Those demands must be satisfied by community stations and national stations.

4.9 In regional and rural markets in particular, therefore, our definition of localism is:

- what the mainstream or majority regard to be music throughout all times of the day which is consistent with the tastes of the local communities;
- what the mainstream or majority regard to be entertainment and information at breakfast time which is relevant to the lives of the local communities;
- what the mainstream or majority regard to be programs at other times of the day which focus on music and entertainment, and which emphasise the quality of production;
- what the mainstream or majority regard to be local information bulletins throughout the day which are relevant to the local communities;
- what the mainstream or majority regard to be support and promotion of causes and events in the local communities; and
- what the mainstream or majority regard to be support and communication in times of disaster or emergency in the local communities.

4.10 Our surveys and research demonstrate that we achieve localism in all of our non-metropolitan markets by reference to the foregoing. By way of example, we commissioned surveys in mid-2000 in Townsville, Cairns, Mackay and Albury. Those surveys were conducted by Third Wave Media Pty Ltd (“**Third Wave Media**”). Third Wave Media is a survey and research company and it participates on a regular basis in our ongoing review of audience demands. Up to one thousand people were interviewed in each of those cities and their identity was random (being taken from local telephone books). In Townsville, Cairns and Mackay, interviewees were asked the following two questions:

- “In your opinion, which radio station has the best local news and information from your locality?”; and
- “In your opinion, which radio station has the best cyclone information?”.

In Albury the first question was asked, but not the second question.

4.11 The results of these surveys were outstanding in their demonstration of support for DMG Group. Our commercial stations were the clear winners in each market. Results were as follows:

- in Townsville, 64% were of the opinion that our commercial stations have the best local news and information (51% for our adult contemporary station and 13% for our hits station) and the next closest was a competitor’s station with just 7% and community stations and national stations were even further down the line;

- in Cairns, 59% were of the opinion that our commercial stations have the best local news and information (34% for our adult contemporary station and 25% for our hits station) and the next closest was a competitor's station with just 13% and community stations and national stations were even further down the line;
- in Mackay, 55% were of the opinion that our commercial stations have the best local news and information (33% for our adult contemporary station and 22% for our hits station) and the next closest was a competitor's station with just 14% and community stations and national stations were even further down the line;
- in Albury, 50% were of the opinion that our commercial stations have the best local news and information (13% for our talk/easy listening station and 37% for our hits station) and one of our competitor's stations was also very strong at 24% and community stations and national stations were even further down the line;
- in Townsville, 73% were of the opinion that our commercial stations have the best cyclone information (66% for our adult contemporary station and 7% for our hits station) and all of the other stations were a very long way down the line;
- in Cairns, 69% were of the opinion that our commercial stations have the best cyclone information (52% for our adult contemporary station and 17% for our hits station) and all of the other stations were a very long way down the line;
- in Mackay, 46% were of the opinion that our commercial stations have the best cyclone information (36% for our adult contemporary station and 10% for our hits station) and 10% for a national station and all of the other stations were are very long way down the line.

4.12 Third Wave Media has undertaken similar surveys and research for us in most of our other markets at various times. The results of those surveys and research tend to be similar as the results above. These surveys and research demonstrate that we broadcast information which is relevant to the local communities.

4.13 The surveys and research identified above are part of our ongoing process of identification of audience needs and measurement of our success in satisfying those needs. However, we also undertake special surveys and research in cases where we believe for any reason that our satisfaction of audience demands may not be as good as it could be or may be under attack. A good example of this is in Wagga Wagga. Earlier this year we were subject to prolonged and public attack by a group of prospective broadcasters (ie potential competitors) in Wagga. That attack continues. Among other things, that group maintained that our commitment to localism was inadequate. We will deal with the position taken by that group in more detail below. For present purposes, however, a survey was commissioned in July from Third Wave Media. About 410 people were interviewed and they were selected at random from local telephone books. We were delighted by the results. They can be summarised as follows:

- 63% of interviewees listened more to our stations than any other stations (41% for our FM station and 22% for our AM station) and the closest station after that was 11% and all of the others were a long way behind;
- we had increased our lead over most of those stations since the last survey undertaken before the introduction of the hubs and our combined share also increased;



- 71% of interviewees associated our stations with the description “local news and weather”, 66% with the description “information about what is going on in the community”, 63% with the description “information at the time of an emergency, such as a natural disaster” and 65% with the description “supports community events” and, in response to each of these descriptions, our stations were so far ahead of all of the other stations that any attempt at comparison is meaningless;
  - 64% of interviewees thought that our stations had “become better” since our last survey or were at least “the same” and only 23% thought that our stations had “become worse” (even though they still thought our stations were by far the best stations in the area);
  - there was a very wide selection of answers in response to the question “where do you think most of our programs originate from”, with 43% thinking that they originate from local or regional radio and television studios, 18% thinking that they originate from other major cities (Sydney and Albury being the most prominent) and 35% saying they just did not know and did not even have an opinion.
- 4.14 We were delighted with the results of this survey. 63% listen more to our stations than any other station. Very large percentages associate our station with the satisfaction of their primary demands. These numbers are a tribute to our focus on our audiences.
- 4.15 64% thought that our commercial stations had “become better” or were at least “the same”. That is a tremendous number. We acknowledge that 23% thought that they had “become worse” (even though they still thought that our stations were by far the best in the area). We will undertake follow up research to determine the reasons for that belief and we have already modified some of our programming. Nonetheless, expert research professionals regard any result which is more positive than negative to be strong. On that basis, the only relevant number is the 64%. It means that almost two thirds of listeners thought that our commercial stations had “become better” or were at least “the same”.
- 4.16 Our audience share is very healthy in Wagga Wagga and our commercial stations are perceived by a large majority of listeners as being strongly associated with local information and community interests. There are of course areas for improvement, but that is normal in this type of survey, which is based on methodology used extensively in the radio industry.
- 4.17 Appendix 3 contains public survey results published by AC Nielsen. Those results support all of our contentions. We do not attach the survey results from Third Wave Media. That is because those results include information which may be of use to our competitors and which may therefore result in commercial disadvantage to us. We are prepared to elaborate on the results, however, at the hearings to be conducted by the Inquiry.
- 4.18 Our commercial stations were rated number one in each of Townsville, Cairns, Mackay and Albury in the last surveys undertaken by AC Nielsen. Moreover, in two of those markets, we were rated both number one and number two, and in the other two of those markets, we were rated number one and number three. This is consistent with the surveys and research undertaken by Third Wave Media.

4.19 We have demonstrated above that localism must be defined by reference to the demands of our audiences. That is, by reference to what they regard to be important. It cannot be defined by reference to notions of physical presence.

Appendix 4 nonetheless contains a summary of basic data and other statistics in respect of every one of our local markets. That summary demonstrates as follows:

- all of our stations devote a very significant number of hours to local news, weather, current affairs, sport and other items of significant interest (our highest being 48 hours per week in Mildura and our lowest being 6 hours per week in Gladstone, and the average across all of our markets being 14 hours per week, and this does not include broadcasts of live sport);
- all of our stations devote a very significant number of hours to live broadcasting direct from the local studio (which in almost every case includes a live breakfast program) (Albury doing 209 hours per week, Bunbury doing 80 hours per week and Townsville doing 185 hours per week and, excluding the hubs and also our five smallest markets, because it might be thought that they distort the average, our highest is 82 hours per week in Mildura and our lowest is 20 hours per week in Albany, and the average across all of our markets is 43 hours per week);
- all of our stations devote a very significant number of hours to live broadcasting whether from the local studio or from the hub (Albury doing 209 hours per week, Bunbury doing 80 hours per week and Townsville doing 185 hours per week and, excluding the hubs and also our five smallest markets, because it might be thought that they distort the average, our highest is 221 hours per week in Mildura and our lowest is 76 hours per week in Esperance, and the average across all of our markets is 154 hours per week).

This compares to the very small number of hours devoted by commercial television stations in these areas to live telecasting from the local television studio or even from the regional television studio (where the average for all of the commercial television stations which telecast into all of our markets is thought to be 2.5 hours per week).

We contribute a very significant amount of money (in terms of donations, funds raised and free airtime for advertisements and promotions) to local charities and other local non profit community groups and activities (our highest market being \$3,102,000 in 2000 and our lowest market being \$275,000 in 2000, and the average across all of our markets being \$992,000 in 2000, and the aggregate in all of our markets being almost \$22 million in 2000) (and in this instance it is not appropriate to identify relevant amounts by reference to particular markets).

This is just a sprinkling of relevant data but, on any basis at all, it demonstrates an enormous commitment by our commercial stations to the local communities which they serve.

Moreover, even though our surveys and research show that live broadcasting is not a critical element of localism (except perhaps at breakfast time), this data demonstrates that our commercial stations devote very significant amounts of time to live broadcasting and, therefore, anyone who thinks that live broadcasting is in fact a critical indicia of localism, still cannot criticise what we do.

- 4.20 DMG Group is surprised that there could be any criticism of localism in regional and rural radio without such criticism at the same time being made against regional and rural television. It is common knowledge that television many years ago eliminated almost all programs produced in local studios or telecast from those studios. There was no inquiry about that. Hours devoted to the broadcast of programs produced at our local studios exceed hours devoted to the telecast of programs produced at local television studios in the same markets, by factors up to 200. And content quotas do not cover local programs on television. They only cover programs produced in Australia. Where is the balance between the treatment of regional and rural television and the treatment of regional and rural radio. Any meaningful review of localism should not be in a vacuum. Radio should only be reviewed if television is reviewed at the same time. The direct comparison will show the enormous strength of radio relative to television in this regard.
- 4.21 We also note that before our acquisition of our stations in Queensland in 1997, the hits stations took virtually all of their programming from Bunbury in Western Australia. What we provide now is either live from the local studios around Queensland or is produced with significant local input from Townsville. Obviously, this is far superior to the previous situation.
- 4.22 Based on all of the above we submit that our commitment to localism and to the satisfaction of audience demands is obvious. We serve our local communities in the ways they wish to be served. We succeed for that very reason. And our surveys and other research show that we are regarded by our local communities as an integral part of the fabric of their lives. We respect the trust put in us by those communities and we are proud of the affection in which we are held by those communities. We will continue to serve them in the best possible ways. We can be counted on to do that, first, because history shows that we have done it since we first acquired our commercial stations and in fact, in other parts of the world, we have done it for decades and, secondly, because in a business sense we must continue our commitment to localism if we are to continue to succeed.
- 4.23 It would be inappropriate and unnecessary for there to be changes to our legislative framework in order to require commercial stations to do certain things or act in certain ways, in the name of localism. It would be inappropriate because owners of commercial stations have paid significant commercial prices for those stations on the basis that they will be permitted to operate them on usual business lines and subject only to the restrictions which exist in our legislative framework and which in most cases do not affect day to day business operations. It would be unnecessary because, as identified above, commercial stations must survive in a business sense in any event and, therefore, they must satisfy audience demands and, by definition, audience demands constitute the indicia of localism.
- 4.24 Again we are not alone in these views. The Productivity Commission is very strong in its adherence to these principles. The following represent just a few examples from the Productivity Commission Report:
- page 3, existing content quotas for commercial television stations were designed in the analog era and when audiences had only newspapers, television and radio to provide them with entertainment, music and information and, with convergent technologies and so many new means of delivery to which audiences have access, content quotas are not relevant and will not work any longer (and support for this argument is even stronger in the case of radio);

- page 6, technological change has ramifications for content regulation, because content regulation just does not work with most of the new means of delivery of entertainment, music and information services (and it is therefore inappropriate to impose content regulation on some means of delivery and not on others);
- page 26, in a convergent environment, national stations may be required to play an even more significant role in promoting the social and cultural objectives set for broadcasting (because competition in the convergent environment means that it is inappropriate to impose content or other requirements on commercial stations, in the name of localism, because those requirements will mean that commercial stations are at a significant disadvantage to other means of delivery and this problem is exacerbated by the high commercial prices paid for those stations by their owners);
- page 28, the quota system was designed for analog television and will not be readily adaptable to the digital, convergent environment and, as convergence proceeds, quotas will be less and less effective and if our country's social and cultural objectives are to be achieved in the digital era, new approaches should be found (and one of those approaches is to focus on the role of community stations and national stations in that regard);
- page 30, the content and conduct of the broadcast media are stringently regulated in response to the degree of influence that they are perceived to exercise in the community's political, commercial, cultural and social life, yet neither the basis of this influence nor the effectiveness of the regulatory measures used have ever been subject to proper analysis (and our own surveys and research demonstrate that audiences do not demand more live broadcasting, or more local information, or greater physical presence and, therefore, further regulation in the name of localism is not necessary by reference to the community's political, commercial, cultural and social life).

Appendix 5 contains references to the Productivity Commission Report. These references support the position taken by DMG Group.

- 4.25 The Productivity Commission concludes that content quotas are not appropriate in a convergent environment. It recommends a complete study of existing content quotas to be undertaken by the Federal Government. It recommends that there be no change to existing content quotas until that study is undertaken. It recognises that existing content quotas apply only to commercial television and that they are restricted to content which is produced in Australia. In other words, not only are existing content quotas thought to be inappropriate in a convergent environment and not only are they restricted to commercial television stations, and inappropriate for radio, but moreover they do not relate to production in local communities, but only to production in Australia.
- 4.26 DMG Group is proud of the fact that all of its programs are produced in Australia. Accordingly, although content quotas do not apply to radio and it would be inappropriate to introduce them in a convergent environment, it is important to note that everything listened to by audiences on our commercial stations is produced in Australia. We should add that any suggestion that local content quotas (by reference to productions of programs at local stations in local communities) be introduced in radio would be:
- contrary to the position taken by the Productivity Commission;

- unfair and discriminate against radio relative to television;
- contrary to audience demands as measured by our surveys and research; and
- anti competitive (because it would limit the ability of radio to compete with other means of delivery).

4.27 It would also be wrong to impose such quotas on radio and not on television because:

- radio faces competition from many more means of delivery than does television (eg even on a very crude analysis, radio competes against every other means of delivery whereas television competes only against other visual means of delivery and, moreover, even if that were not so, new technologies mean that there is a proliferation of new means of non visual delivery, whereas there are fewer new means of visual delivery);
- free to air television has been further protected by the absence of any new competition for 40 years (except through aggregation) whereas radio, in regional and rural areas in particular, has been subjected to very significant increases in free to air competition over the last few years;
- radio is already almost entirely a local medium (in terms of relevance and, for that matter, also in terms of broadcasts from local studios or from regional studios) whereas television does not even attempt to be a local medium (with very little relevance to its local communities and very few telecasts from local studios or regional studios);
- given that localism is imperative for commercial stations to survive, it is more efficient to allow those stations to determine the best form of localism in each of their markets and they can be assumed to do their best to achieve it; and
- the imposition of local content quotas or any other form of legislated localism, for that matter, would be not only discriminatory and inefficient, and in disregard of the audience demands which we have determined and which we satisfy, but would be a step backwards for regional and rural areas, in terms of the delivery of services and the access of those communities to the benefits of new technologies, and would put us out of step with the rest of the world.

4.28 It would also be wrong to impose such quotas on regional and rural radio without the same quotas being imposed on metropolitan radio. Regional and rural radio has already suffered in an unfair way at the hands of the planning process implemented by the ABA. Regional and rural radio owners and operators have been forced to deal with proportionate increases in competition which are many times higher (in some cases ten times higher) than the proportionate increases to be faced by metropolitan radio owners and operators. To then turn around and impose quotas on regional and rural radio, without doing the same to metropolitan radio, would be to punish regional and rural radio twice. It is already much harder to be profitable in regional and rural areas than it is in metropolitan cities. To impose quotas on regional and rural radio will make it much harder again. Regional and rural radio can only reinvent itself a limited number of times within such a short period.

4.29 In conclusion on this point, quotas are just not appropriate in the modern era. That is not only our view. It is also the view of the Productivity Commission. Moreover, any

consideration of the introduction of quotas on regional and rural radio would constitute active discrimination unless similar quotas are imposed at the same time on metropolitan radio, regional and rural television and metropolitan television.

4.30 There is one specific thing we should mention. Parliamentarians in some of our markets have commented to the local general managers of our commercial stations that they are disappointed that they are not given the same airtime as before. It is true that our commercial stations did conduct political interviews and otherwise allocate reasonable amounts of airtime to local parliamentarians up until the introduction of the hubs. However, there are two primary reasons for this change:

- audiences have told us in quite significant numbers that they do not want a lot of political issues and, in particular, political interviews (and this experience is the same with other commercial stations and not just those owned by us); and
- the issue of new commercial licences in most of our markets has made it impossible for any one commercial station to adopt a format which has a mixture of music coupled with a block of talk and, for competitive reasons, all commercial stations (once again not just those owned by us) must adopt a clear and uniform format (and this means that because the mainstream or majority prefer a music format over a talk format, and mixed formats have been proved to alienate audiences in competitive environments, there is now almost no room left for talk stations in regional and rural radio and this means that the decline in airtime devoted to political issues and, in particular, political interviews, is not about to turn around).

In short, therefore, the decline in airtime devoted to political issues and, in particular, political interviews, is due to our focus on audience demands and also due to political action itself (ie the issue of new commercial licences in markets which cannot support them in the same way as before and where it has been necessary to change the formats of the stations in order to remain competitive).

Notwithstanding the above, our commercial stations do still allocate some time for political issues and, in particular, political interviews. Audiences are willing to accept that. They simply do not want any more. Some of the quotes referred to below demonstrate that many parliamentarians are still satisfied with the airtime they are given (and they believe that it affords them an invaluable opportunity to communication with their local communities).

4.31 Appendix 6 contains a number of quotes from interviews we have conducted with local managers and other employees at our commercial stations and with parliamentarians, counsellors, business people, community workers and other people in our local markets. These quotes express in the best possible way the success we have achieved in our focus on localism. DMG Group agrees that localism is a critical aspect of commercial radio in non-metropolitan areas and submits that it achieves localism through all of its commercial stations with enormous success and that its audiences are very satisfied.

4.32 We will not refer to all of those quotes here. However, in addition to the comments made by the Honourable Kevin Wales, Mayor of Wagga Wagga, referred to earlier in this submission, we also note the following comments:

*“It is my belief that Northern Talking Point has given me the ability to address Tablelanders on a personal level regardless of their linguistic capability. Many*

*people would find it hard to read the concepts that can be clearly understood when spoken to them. With TV reception in the remote parts of my electorate, limited to only two channels or none at all, I have found the access to local radio invaluable in my position as a community leader.” [Shaun Nelson MLA, Member for Tablelands, Legislative Assembly of Queensland.]*

*“My position ... has necessitated ongoing business dealings with [DMGRR’s commercial stations]. In all aspects of their operations, they are very professional and maintain a strong focus on the region covered by their broadcast area. I believe this would be the view held by the majority of the business houses in this City. ... Radio stations 4LM and Hot FM have been extremely supportive and involve both management and staff in the promotion of community related events and issues.” [John Thinee, Principal, Jays Real Estate, Mt. Isa, Queensland.]*

*“In recent times [since the introduction of the hubs], I have noticed that local content has been reintroduced at 4HI and Hot FM. There has been an increase in local news, national programs have been cut down and a rural program “The Country Mile” has been introduced. This has had a positive impact on the town and the region. It is important, particularly in country areas, for a radio station to respond to community needs and to be part of the community.” [The Honourable Peter Maguire, Mayor of Emerald, Queensland.]*

*“Mackay is well serviced by radio. Through the ABC, there are a number of stations providing national broadcasts, and there are also radio stations such as Hot FM and Sea FM with a strong local presence. In relation to Hot FM and Sea FM, local support is generated by their sponsorship of Mackay events and festivals, their assistance of locals from time to time by holding appeals for people in crisis, and through their employment of members of the Mackay community. An example of how radio stations can provide crucial support concerns the joint campaign of 4MK and the Mackay Daily Mercury [a local newspaper] to create local employment. This campaign demonstrated that reducing Mackay unemployment was of concern to these media bodies and, practically, resulted in the target of new positions created being doubled. Having stations with a local component reflects community aspirations and supports its endeavours which, I think, is very important.” [Tim Mulherin MLA, Member for Mackay, Legislative Assembly of Queensland.]*

- 4.33 We recognise that the Inquiry is interested about how localism is achieved in commercial radio and whether it regards that to be adequate, rather than whether at law localism is achieved in commercial radio to the extent required by the Broadcasting Services Act 1992 (“Act”). Nonetheless, we should observe that DMG Group has at all times complied with its obligations under the Act. In fact we exceed those obligations in a very significant way. Clause 8(2)(a) of Schedule 2 to the Act provides that each commercial radio licensee must provide a service that:

*“When considered together with other broadcasting services available in the licence area of the licence (including another service operated by the licensee), contributes to the provision of an adequate and comprehensive range of broadcasting services in that licence area.”*

DMG Group through each of its commercial stations contributes, in a very significant way, to the provision of an adequate and comprehensive range of broadcasting services in

each of its markets. The matters referred to in this submission support that conclusion without qualification. We do not think it is necessary to discuss it any further.

We also note that the objects of the Act include:

- to promote the role of broadcasting services in developing and reflecting a sense of Australian identity, character and cultural diversity;
- to promote the provision of high quality and innovative programming by providers of broadcasting services;
- to encourage providers of commercial and community broadcasting services to be responsive to the need for a fair and accurate coverage of matters of public interest and for an appropriate coverage of matters of local significance;
- to encourage providers of broadcasting services to respect community standards in the provision of program material.

These objects do not constitute obligations of any kind on DMG Group. They are obligations of the ABA. They are to be satisfied as part of the planning process by the ABA. We would like to point out, however, that our focus on and responsiveness to audience demands and our exclusive broadcast of programs produced in our country, together with the processes we have in place for the collection, production and broadcast of local news, weather, current affairs, sport and other items of significant interest, demonstrate that in the operation of our own commercial stations we do not only achieve those objects, but we excel in doing so.



## DISASTER AND EMERGENCY SITUATIONS

- 5.1 DMG Group would like to comment on the specific area of disasters and emergencies. Commercial stations must provide an immediate and complete service in these situations. Audiences demand it and ethics require it. It is part of our analysis of localism but, at the same time, it deserves separate comment.
- 5.2 DMG Group believes that one of the critical roles of a radio station in regional and rural areas is to be of service during disaster and emergency situations. This requires support in at least three areas:
- planning - radio stations should be involved with emergency services organisations in relation to establishing and updating procedures to be followed in those situations;
  - broadcasting - radio stations should then be a central part of the dissemination of warnings and other information on a timely basis to local residents in those situations; and
  - recovery - radio stations should assist in fundraising and other programs after the event to assist affected people and businesses to recover from the disaster or emergency.

We have always taken each of these three areas of assistance very seriously. Our track record shows that we do it well. We have local managers and other employees who take a real interest in the welfare of their local communities and, in situations of disaster or emergency, they have the trust and respect of their communities, which enables them to provide leadership and support which is meaningful and valuable. Our surveys and research show that the support we provide is regarded in just that way.

- 5.3 Each of our stations has established procedures and guidelines in place to be followed in situations of disaster and emergency. Those procedures and guidelines can be summarised as follows:
- Local emergency services organisations (police, fire brigade, SES, etc) have the contact details for at least two of our local employees (usually the program director or local manager and one other senior employee) and those details include home telephone, mobile and address. They also have the telephone number of the station and the “1300” hotline to the relevant hub. These details are regularly updated.
  - A call made by an emergency services organisation will be answered without exception. It is hard to imagine that there would be no answer on any of the numbers given to the organisation. We are not aware of any case where that has happened.
  - The recipient of the call, together with the emergency services organisation (and in most cases in accordance with the recommendation of that organisation) will decide if the disaster or emergency requires an immediate alert to be broadcast (ie instantaneous) or whether it requires a general alert to be broadcast (ie as soon as reasonably practicable). In the former case, the recipient of the call arranges for local broadcasting to be interrupted or hub programming to be disconnected, whichever is appropriate and, right at that point, an alert is broadcast live from the

local studio. That will take no time at all if there is a person at the station. In most cases that will be so each day for at least 10-12 hours. In any other case, it will only take as long as it is necessary for the recipient to go to the station (or to arrange for someone else to go to the station). We are not aware of any case at the time of the most recent cyclones where that took more than 7 minutes (and the average was somewhat less than that). It is in fact even possible, with our new technologies, for the recipient to arrange disconnection of the hub programming and to broadcast the alert, by telephone and email link from home and, although we would only do this in extreme circumstances, it is useful to know that it is possible. In the other cases, where it is not thought that an immediate alert must be broadcast, the recipient of the call will telephone the hub and arrange for an alert to be recorded at the hub and then inserted into the hub programming. That may be as soon as possible (which in most cases means within 10 minutes) or at the time of the next local information bulletin (which in most cases could be up to 30 minutes). Once again, the choice of method and time will be determined by the urgency of the situation and upon the recommendation of the emergency services organisation.

- 5.4 In addition to the above procedures and guidelines, we have prepared a cyclone manual which is referred to and relied on in all of our markets in Queensland. That manual sets out the actions we will take in much more detail and it demonstrates our commitment to service in this area.
- 5.5 It is also important to note that before we acquired them, many of our commercial stations shut down at 6.00pm and took automatic prerecorded programs until 6.00am. In those cases it was very hard, if not impossible, to arrange necessary broadcasts in cases of disaster or emergency. Our systems now enable these matters to be attended to around the clock and that again demonstrates the strength of our commitment.
- 5.6 We are convinced that our ability to respond to calls of disaster or emergency is as good as it could ever be required to be. Given that emergency services organisations have a long list of contact details and that we can respond, in one of the ways above, in only a matter of minutes, it would be wrong of anyone to suggest that we should be able to do better. We submit that the only organisation which could do better than this is an organisation established for the sole purpose of disaster and emergency identification and communication, and which is funded to do so. That is not the job of our commercial stations. And yet they still perform this role in a way which would be hard to improve upon.
- 5.7 We have gathered data in connection with all of the disasters and emergencies notified to our commercial stations over the past year (and most of those situations notified to our stations over the two years before that). Our response time is outstanding. The *average* on air response time to a call from an emergency services organisation, across all of our stations, is 5 minutes during the week and 7 minutes during the weekend. It is also important to note that all of our on air response times were within the desired times agreed with the emergency services organisations at the times of taking their calls.
- 5.8 Our surveys and research also support the quality of the services we provide in this area. They demonstrate that our role is not just sufficient, but pre-eminent. By way of example:
- 66% of all listeners in Townsville believe that 4TO-FM (being one of our commercial stations) has the best cyclone information and 7% believe that HOT-

FM (being our other commercial station) has the best cyclone information (and the nearest contender is one of the national stations with 5%);

- 52% of all listeners in Cairns believe that 4CA-FM (being one of our commercial stations) has the best cyclone information and 17% believe that HOT-FM (being our other commercial station) has the best cyclone information (and the nearest contender is one of our competitor's stations with 7%);
- 36% of all listeners in Mackay believe that 4MK-FM (being one of our commercial stations) has the best cyclone information and 10% believe that HOT-FM (being our other commercial station) has the best cyclone information (and 10% believe that a national station has the best cyclone information).

Our surveys and research, where relevant, support similar conclusions in our other markets (although obviously disaster and emergency situations are more prevalent in some of our markets than others and, as a result, surveys and research into our performance in situations of disaster and emergency are less relevant in some markets than others).

5.9 Our involvement with our local communities in situations of disaster and emergency does not stop with planning and actual broadcast at the time of the disaster or emergency. It goes further. Where the disaster or emergency is a major event which threatens life and property in a significant way, such as cyclones in our northern markets, our commercial stations view their role as being much more than just the mouthpiece whereby information is broadcast to the community. They believe that they must be part of the wider effort. The following are just a few examples:

- A cyclone went through Townsville in late 1999. 4TO-FM reverted to direct programming from the local studio around the clock. That is, hub programming was replaced by live local broadcasting, 24 hours per day for more than three days. For a large part of that time we were the only form of communication to local residents (because our competitors and some of the other radio services lost power and were off the air, and local television was also off the air for some of that time and, even when it was not off the air, it was unable to report "up to the minute" in the way we did at 4TO-FM). We did not just broadcast the basic facts to do with the cyclone. We did three days of crossing to spokespeople for the emergency services organisations and the local council, interviews with business people and community leaders about trading hours, sources of assistance, emergency hotlines, etc and assistance with the coordination of a fundraising appeal for affected families. At the conclusion of our dedicated live broadcasts, we maintained regular updates on the progress of relief and recovery programs and we promoted and did various live crosses to fundraisers which were undertaken over the next few weeks.
- A cyclone went through Cairns in 1999. A disaster coordination centre was established at the city council and it thereupon used 4CA-FM as the main communication device for residents. Direct telephone hookups were established between the disaster coordination centre and 4CA-FM. Throughout the entire ordeal, we made live crosses to (and in a small number of cases did complete broadcasts from) hospitals, shelters, council rooms, etc. We maintained constant communication with supply outlets such as chemists, hardware and supermarket stores. We were local from our own studio for more than three days. All of our staff were requested to come to work and, as often happens, many of them moved

their entire families into the station for the duration of the cyclone. That enables them to be of service around the clock. For weeks following the cyclone, we ran numerous promotions and fundraising requests, free of charge, to assist with the rebuilding process. We helped in the coordination of cleanup working parties, not only through regular broadcasts on air which were inserted into hub programming, but also through the maintenance of working party rosters and other essential “hands on” information. We were very much at the centre of the relief and recovery efforts. The results of our surveys and research show that the local community recognised this. It is not only our opinion. It is also their experience.

- In 1998 a bushfire went through Narrogin. Apart from deciding to “go live” for the whole day, with regular updates and general warnings and other information, we also initiated a radio auction the following day and, over the full period of the auction, we were able to raise significant funds for affected families. Post disaster radio auctions are just one of many fundraising activities we have embarked upon through our own initiative in various markets.
- As recently as September 2000, a local contractor mistakenly severed some optic cable in the area around Griffith. This resulted not only in the blackout of all mobile phone services and other similar facilities, but also the unavailability of the “000” emergency number. Within only 4 minutes of being told, we arranged for this situation to be announced by immediate insertion into our hub programming. We then kept everyone in touch with the situation by constant bulletins which were inserted at very regular intervals throughout the period until “000” was restored.

5.10 The introduction of the hubs has not had any negative impact on our on-air response time to disaster and emergency calls or on our commitment to providing meaningful and valuable services throughout any disaster or emergency. This is because:

- a long list of contact details, together with a “1300” hub hotline, is still given to emergency services organisations and their ability to make calls to people on that list is the same as before;
- recipients of calls still have the ability to “go live” with a disaster or emergency alert immediately (and, depending on the circumstances and the time of day, that is usually within 5 minutes and could be as short as one minute if necessary, and should not take any longer than 7 minutes);
- recipients of calls in other cases can convey the information to the hub and the hub can record and then broadcast the disaster or emergency alert almost straight away if required (being usually no more than 5 minutes during the week and usually no more than 7 minutes during the weekend) or at the time of the next local information bulletin;
- listeners are themselves given the hub hotline, over the air, in all such cases, so they can also convey up to the minute information to the hub, in addition to the calls which will be made to our local employees by the emergency services organisations;

- our involvement in the planning stage and then in the recovery stage are not affected at all by the hubs (and our activities over the past year or so show that our commitment in those areas is as strong as ever).
- 5.11 In the United States of America, there exists a formal emergency alert system (“EAS”) which enables radio stations to be required to broadcast disaster and emergency information in certain circumstances by the Federal Communications Commission. Radio stations must use a common protocol to send and receive disaster and emergency alerts. Emergency services organisations will notify radio stations of a particular disaster or emergency (eg blizzard, flash flood, hurricane, cyclone or bushfire) and radio stations are then required to give priority to the broadcast of the alert in preference to any other programming.
- 5.12 DMG Group does not believe that an emergency alert system is necessary in non-metropolitan markets in Australia. Our commercial stations respond much better than any response which could be mandatorily required. We nonetheless would not be concerned about the imposition of any such system (so long as it takes full account of the circumstances which exist in the relevant area) and we would therefore be willing to participate in any consideration of such a system in Australia.
- 5.13 Any questions about our ability to respond to disaster and emergency situations have been fuelled by certain letters to editors of major newspapers and to parliamentarians, and by the proposal of a potential competitor in Wagga Wagga. We deal with those matters later in this submission. It is fair to say at this point, however, that those letters were a prank and a hoax, and no real person has been found to stand behind them, and that proposal, by the potential competitor in Wagga Wagga, is not based on objective evidence and reflects other motives. No individual listeners have complained about our response to disaster and emergency situations since the introduction of the hubs.

## EMPLOYMENT

- 6.1 DMGRR is proud that the aggregate number of employees in its markets has not fallen since it acquired its commercial stations. It is also proud that the total number of people employed by its non-metropolitan radio business has fallen by only 21 out of 478 since 1998 and, in fact, has increased by 8 out of 449 since 1996. This is a record which we submit could not be matched by any other major industry employer in non-metropolitan areas. Most people just do not recognise this fact. New technologies mean that most industry employers in non-metropolitan areas have reduced total numbers employed in a very significant way. That is not the case with us. We have been able to deliver the benefits of new technologies to local communities without there being any major negative effect on employment.
- 6.2 Some people might focus just on reductions in employee numbers at individual stations. That is perhaps understandable because it is what they see. But it is necessary to look at the big picture. We have added nearly 80 jobs in Albury and Townsville. Moreover, in most of our other markets we have been able to deliver the benefits of new technologies with reductions in employee numbers of less than five. That cannot be said to have a major negative effect on the economies of those communities. Again, we also point out that in a large number of markets we have achieved those reductions not through retrenchments, but through the non replacement of employees who voluntarily resign or retire. We have not acted in an insensitive way towards employees, families or communities.
- 6.3 We accept that there are a small number of markets where the total number of employees has fallen by more than seven. Those markets are Cairns, Coffs Harbour, Gladstone, Pt. Macquarie and Bendigo. We submit that these reductions must be considered in light of the following factors:
- these reductions in most cases are covered by the significant additional numbers of employees at the hubs in Albury and Townsville;
  - the economies of those local communities tend to be bigger and more resilient than the economies of some of our smaller markets;
  - our commercial stations were never major employers in those local communities (eg based on our own internal enquiries we do not believe that our commercial stations were ever amongst the top few dozen employers in those markets which is in contrast to the banks and manufacturing companies, etc, which have closed down or otherwise embarked upon significant reductions in those areas since 1996);
  - these markets are large enough that, with only one or two exceptions, they were considered as possible hub sites and, if they had been chosen, there would have been a significant increase in total employee numbers but, after detailed analysis of all of the material issues, they were not chosen and, as a result, reductions of the kind which occurred (being still modest) were inevitable; and
  - the quality of the services we provide in these markets is now better than it was before and that is confirmed by our surveys and research, the very small number of complaints and the increase in the broadcast of local information bulletins in each of those markets.

6.4 We accept that total numbers employed is not the only measure of the contribution and effectiveness of an employer in the fulfilment of its obligations to the local communities which it serves. It is also critical to look at matters such as training and development, prospects of promotion, security and welfare. Our commercial stations excel in all of those matters and it is part of our corporate policy that priority must be given to them. The following is just a small representation of some of the things we do in this regard:

- 3 day in house seminars are conducted for local managers and local sales staff at least three times each year at one or two central locations and areas covered include management techniques, sales techniques, programming advancements, survey and research results and analysis, utilisation of new technologies, corporate policies and ethics, etc (and guest speakers are often invited in areas as diverse as management and law, administration and human relations);
- local managers and other relevant local staff attend special seminars, from time to time, when new techniques or methods are introduced or new objectives are set and, on average, this will happen once or twice each year (in addition to the above seminars);
- key staff are encouraged to attend local, national and international seminars on topics such as those outlined above and in the last financial year alone we spent hundreds of thousands of dollars on registration fees, travel and accommodation to send our employees to such seminars;
- our central support staff from the hubs visit the local stations on a regular basis and provide on the job training which is invaluable in particular for junior employees (and this happens in the areas of programming, sales and engineering/technology) and this occurs in most markets at least three times each year (and, in some markets, up to a dozen times each year);
- more than 70 employees were transferred from small local stations to more senior positions at the hubs, at the time of their establishment and, compared to the past, this gave promotion opportunities to those employees where such opportunities would not otherwise have existed (and the hubs now provide ongoing career opportunities for announcers, programmers, sales people and others who, in the past, would not be able to advance beyond their small local markets unless they were prepared to move to metropolitan markets and were able to find jobs in those markets);
- on the job training at our hubs in all of these areas is outstanding and employee confirmation of that fact is overwhelming (and this is reported in some of the quotes set out in Appendix 6);
- we also have one commercial station and will soon have two commercial stations in metropolitan markets and we hope to increase the number of those stations in the future and, in appropriate cases, those stations have also enabled us to provide further career and promotion opportunities;
- our corporate policy is to nurture respect and care amongst employees and to emphasise the benefits of teamwork, and the benefits of collaboration and togetherness which result from this policy have been in evidence many times (eg employees and their families moving into the station at Cairns for the duration of a cyclone late last year so that, together, they could provide broadcast services to

the local community around the clock and could also provide manpower and support for recovery and cleanup programs);

- our concern for and loyalty towards employees and their families is demonstrated by the fact that redundancies were kept to an absolute minimum and, even then, our payments to employees upon redundancy were in excess of anything required by law;
- we have also assisted a small number of long term employees to find alternative employment through that period (although out of respect for those former employees we are not prepared to identify them here);
- our rates of pay are above industry standards and, even more important than that, employees are secure in their knowledge that salaries and wages will be paid to them on due dates notwithstanding performance or other unforeseen circumstances (and this is in stark contrast to various periods of ownership before us (and, in fairness, before our immediate predecessors) where long term employees often share experiences of going unpaid for periods of time due to inadequate cashflows at the stations and the absence of any central treasury to help through those times).

6.5 When looking at the impact of total employee numbers on local communities, it is also important to understand structural issues and how they relate to the economies of the local communities. Manufacturing industries have often been said to be the “backbone” of the communities they serve because, in many cases, they have been present in those communities for generations and they not only employ very significant numbers of people but, just as important, most of those people come from families which are permanent or long term residents of the area. We recognise that this is a broad generalisation and there are always exceptions (in particular in fruit growing areas, for example, where short term and itinerant labour is not uncommon or in other seasonal industries where the same often applies).

6.6 Radio stations have never occupied this position in their local communities. First, in almost all cases they employ only a fraction of the total numbers employed by manufacturing industries and other large employers. Radio stations are just not labour intensive. Secondly, radio stations have often provided employment for temporary or short term residents (although not itinerant). This may be due in part to the fact that some of our jobs by their very nature attract people who regard them as stepping stones in their own career paths (eg sales jobs) or because the natural progression of some of those jobs is to move to bigger establishments with more opportunities (eg announcers and programmers).

6.7 This analysis is important. It means that commercial stations would not be as much a part of the employment fabric of permanent or long term families as would employers in manufacturing industries, banking, etc. Modest reductions in the total number of employees of our commercial stations in local markets just cannot be compared to the significant reductions which have occurred by employers in manufacturing industries, banking, etc. Those latter reductions may have significant adverse effects on the economies and the social fabric of those communities. That is just not so in the case of our commercial stations. We have maintained our local studios and we have maintained our workforce. Employers in other industries have just closed down and moved out. Our data provides some useful insight in this regard:



- by way of example, between only one third and two thirds of our total number of employees this year in Mt. Gambier, Coffs Harbour, Gladstone and Mt. Isa have lived in those areas for at least the last five years (and these numbers are replicated in virtually all of our other markets); and
- by way of example, far and away the most frequent reason for resignation is “moving out of town” in Kalgoorlie, Mt. Isa, Emerald and Mildura (and this is replicated in quite a few of our other markets).

6.8 Based on established research of audience attitudes, over many years, commercial radio in local communities is thought to fulfil the following main functions:

- to provide information, music and entertainment;
- to stimulate economic activity (through advertisements as well as sponsorships and promotions);
- to be of support to the communities in relation to local issues;
- to be a companion to listeners.

Audiences never mention employment as one of the functions of commercial radio in regional and rural areas (or even in metropolitan areas). Radio is not and has never been labour intensive. Audiences do regard employment to be a major function of other industries which have major presences in regional and rural areas. But they do not think the same of commercial radio. We submit that the core functions of commercial radio should be the focus of consideration by the Inquiry. Employment is just not one of those core functions.

6.9 DMG Group is pleased to be able to offer employment to temporary and short term residents, as well as permanent and long term residents and, moreover, a significant part of its salaries and wages bills in each of its markets will be spent in those markets and will therefore add to the vibrancy of those economies. Having said that, however, it is still important to note, as a present and historical fact, that our proportion of employees who are temporary or short term residents is greater than the proportion of such residents in those local communities as a whole. We in fact submit that given this very fact, the commitment we have demonstrated towards employees and local communities deserves even greater acclaim, relative in particular to the lack of commitment sometimes alleged against other employers in local communities.

6.10 DMG Group believes that it has done more for employment in regional and rural radio, than any other employer at any other time in our history, through its introduction of the hubs and the employment of very significant numbers of people at those hubs. More than \$24 million in infrastructure alone is much more than any other owner or operator has ever pumped into regional and rural radio in the past. We are not talking about salaries and wages, rent and ongoing expenses. They of course are significant and relevant. However, we are talking here about investment in plant and equipment, studios, transmission facilities, premises fitout, computer equipment and other infrastructure. This investment has gone straight into those economies and has provided them with a direct stimulus. It is necessary to engage the services of a significant number of skilled employees to operate that infrastructure and that is what has happened. Those jobs will exist for a very long time. They must exist in order for the benefits of our investment to be realised. Salaries and wages paid to those employees will provide further direct

stimulus to those economies. 79 additional positions were created for example in Albury and Townsville. We doubt whether any other industry or employer could match what we have done in that regard.

- 6.11 It is understandable that other cities which were under consideration for the location of the hubs have suffered moderate distress at not being chosen for that role. We refer in particular to Wagga Wagga and Bendigo. At the end of the day, however, our decisions were based on sound business principles to do with the radio industry as well as our own infrastructure and geographical spread of stations. Our decisions did not represent a negative view of the local communities or economies which were not selected for the hubs and, in fact, our conduct since the establishment of the hubs demonstrates the opposite.

## ADVERTISING

7.1 We have made reference to advertising in the following areas:

- new technologies - we are now able to produce advertisements in a more professional way and this is recognised by advertisers;
- localism - we broadcast advertisements relevant to our local communities and we provide equal opportunities to local businesses and to major national and regional businesses to advertise; and
- employment - we continue to employ similar numbers of sales people to assist local businesses with their advertising campaigns.

It is not necessary to dwell upon these points in a lot of detail. However, the quality of commercial radio is a product of many things and those things include the quality and relevance of advertisements. It is therefore appropriate that we make some brief comments.

7.2 Advertising means a lot more than just earning revenue for our commercial stations. That is of course the long term goal of our actions because, at the end of the day, commercial stations must succeed in a business sense and revenue from advertisers is the determinant of that success. But to achieve that success, on an ongoing basis in the long term, we believe that it is necessary:

- that advertisements must be relevant to the local communities we serve (otherwise our ratings and, in turn, our long term advertising revenue will suffer);
- that local businesses are confident that advertising with our commercial stations will be to their benefit (and that means we must earn their trust and, in turn, that means we must be objective in the assistance we give to them and we must demonstrate the value of our role within the total context of their marketing campaigns); and
- that the production quality of advertisements must match the production quality of our other programs (so that advertisers are satisfied with the end product and listeners do not perceive any difference in priority and effort between advertisements and other programs).

7.3 Advertising on our commercial stations is also important for the stimulus it provides to the economies served by those stations.

7.4 When we acquired most of our commercial stations, we were very concerned to find that national and major regional businesses had almost deserted non-metropolitan radio as a means of advertising. Pages 100-103 and 128-132 of the Productivity Commission Report verify the concerns we held in that regard. The tables and other data on those pages demonstrate the following:

- over the decade up to 1997/98 revenue growth in metropolitan commercial radio stations was more than three times faster than for regional and rural commercial radio stations;

- during the same period advertising revenue actually fell for AM regional and rural commercial radio stations (and was only just in growth for FM regional and rural commercial radio stations);
- national advertising is much more profitable than regional and local advertising on commercial radio stations and yet metropolitan radio stations dominated national advertising and such advertising was in rapid decline on regional and rural commercial radio stations;
- total profits of metropolitan commercial radio stations grew at a significant rate over that period and at the end of that period were higher in real terms than at any other time in history whereas, during the same period, profits of regional and rural commercial radio stations were much less (and for AM regional and rural commercial radio stations there was no growth at all and the decline was significant).

7.5 Part of the poor performance over that period reflected the difficult times which were faced by regional and rural economies. A larger part was attributable, however, to the disintegration of the commercial radio advertising industry in those markets. This was recognised by the Productivity Commission. National and major regional advertisers had deserted regional and rural radio in droves. That was because the quality of advertisements on regional and rural radio was so inferior relative to the quality of advertisements they could buy in most other forms of media. It was also because so many small owners and operators of commercial radio stations in regional and rural markets discriminated against national and major regional advertisers. They offered much lower rates to local advertisers and they gave significant benefits to local advertisers which were not given to others (eg free live crosses to their places of business for advertising purposes, free reruns of their advertisements whenever filler was required, priority timeslots at the times of the day where demand is highest and for no extra cost etc). This conduct had a disastrous impact on regional and rural commercial radio in many ways:

- national and major regional advertisers recognised that they were heavily subsidising local advertisers;
- national and major regional advertisers therefore deserted the medium;
- local advertisers therefore continued to receive excessive air time at rates which in some cases were less than a quarter of the rates which otherwise could have been obtained from national and major regional advertisers;
- growth in revenue earned by regional and rural commercial radio stations therefore continued to spiral downwards;
- the stations were not able to produce quality advertisements for these local businesses because the rates were so low and profits were therefore eroded;
- the quality of advertisements was therefore inferior and this had an impact on audience ratings and on the attractiveness of the product to national and major regional advertisers;
- it was therefore impossible to lure national and major regional advertisers back to the medium and this vicious circle was continuing.

- 7.6 DMG Group and one of its major competitors in regional and rural markets, RG Capital Radio Pty Ltd (“**RGC**”), decided together that this situation was bad for regional and rural commercial radio and that it was necessary to stop the vicious circle. We therefore established a joint venture company known as Regional Radio Bureau (“**RRB**”).
- 7.7 RRB was established as a sales representation company and its primary object was to represent groups of regional and rural commercial radio stations in the sale of advertising time to national and major regional advertisers. It offered the administrative benefits of bulk buying to national and major regional advertisers and it promised them a significant move towards rate parity with local businesses (so that the criticism of subsidisation could no longer be made). RRB also promised the professional production of advertisements through the resources which were available to owners such as DMG Group and RGC. The establishment of the hubs was consistent with that promise.
- 7.8 RRB now represents not only DMG Group and RGC, but also many other owners of regional and rural commercial radio stations. RRB still has a way to go. But it has brought back a significant number of national and major regional advertisers and it has satisfied its promise of quality production of advertisements and also moved rates a long way towards parity. Revenue earned from national and major regional advertisers on regional and rural radio has increased in real terms by 28% for DMG Group since the establishment of RRB. This has helped address the massive decline in revenue and profits relative to metropolitan commercial radio stations over the past decade. It has also brought national and major regional advertising back into regional and rural economies and that must have a stimulus effect. Regional and rural commercial radio stations continue to be a long way behind metropolitan commercial radio stations in terms of revenue and profits (both in absolute amounts and in growth percentages). But it was necessary to bridge at least part of the gap in order to continue to survive.
- 7.9 Audiences have also benefited. They now hear advertisements for national and major regional businesses. Those businesses are relevant to those communities (otherwise they would not choose to advertise) and in the past audiences were denied that service. With much more importance, however, audiences now hear advertisements of very high quality. That extends not only to advertisements for national and major regional advertisers, but also advertisements for local advertisers (because identical production facilities are used in all cases).
- 7.10 RRB’s activities do not reflect a reduced importance of local business advertising. Such advertising continues to be the mainstay of our commercial stations. In fact, we now have more local business advertising than before the introduction of the hubs. That is possible, notwithstanding the increase in national and major regional advertising, because in the past there was a lot of filler time on our commercial stations and we have been able to reduce the amount of filler time through an increase in both local advertisements and national and major regional advertisements.
- 7.11 We employ more local sales people than before. The number in aggregate has increased by about 20. Local sales people service more existing and potential local advertisers than before and, in fact, because local sales people are now able to focus just on sales, we find that they are able to devote even more time to direct contact with existing and potential local advertisers. This means that our local communities are assured of maximum possible local business advertisements. When that is coupled with the increase in national and major regional advertisements, it is our belief that local communities now receive advertisements of the best quality and the most relevance to them.

- 7.12 We accept that the move towards rate parity means that some local businesses might now perceive that they must pay more for advertising than in the past. That is true in some cases. But those are the cases where local advertisers in the past were getting much more time than they paid for. There are many cases where this occurred. For example, a very small number of local advertisers in one of our markets, up to a couple of years ago, paid for no more than two half minute time slots per week, but in return received not only the advertisements paid for, but also up to half a dozen live crosses each week to their places of business and representatives were also invited into the studio for live promotions every week. We understand why a very small number of local advertisers who received those benefits in the past may now be less than positive about where we are today. But we cannot be expected to retain practices like that. We would of course give as much free air time as necessary to those or any other businesses if the purpose was to promote valid community causes or items of significant local interest. But it is inappropriate and unfair to do that in order just to promote their businesses.
- 7.13 We have no experience of complaints from any local advertisers other than a very small number which fall into the above category (and except a small number from local advertisers in Wagga Wagga and Bendigo during the very early stages of the introduction of the hub at Albury, because of their concerns about the impact of reduced numbers of employees on their local economies and therefore on their businesses, but those complaints are no longer made and those advertisers have come back to us and now talk in glowing terms about the quality of production of our advertisements).
- 7.14 We should make one final point. Our sales people do not just go around squeezing every possible sales dollar out of local businesses. They provide a complete service which is essential to the development of long term relationships. Our training and development seminars and our on the job training is all designed towards the establishment of relationships and not the execution of short term sales. Our local sales people therefore approach existing and potential local advertisers with a view to providing advice and assistance on complete promotion and marketing campaigns. Our advice and assistance is not limited to just advertising on our commercial stations or even to just radio advertising in general. We review the objectives of the customer and the stage of development of their products or services. We also refer to statistical data published by independent agencies or through our own surveys and research, to determine the most effective advertising for the customer (eg target demographics, target timeslots, most effective medium, etc). There are many examples where we have made recommendations which are not consistent with our own short term revenue interests but which we believe are consistent with our objective of building long term relationships. These examples include:
- a recommendation to a potential local advertiser in Bunbury that advertising on our commercial stations be deferred until certain production and supply targets were achievable (and assistance in the development of those targets);
  - a recommendation to an existing local advertiser in Bridgetown not to repeat an earlier advertising campaign on our commercial stations but to retreat for the time being and to return with a new campaign after the launch of a new product;
  - a recommendation to a potential local advertiser in Gladstone to focus advertising for a particular product in newspapers and only to use our commercial stations for reinforcement of brand name.

- 7.15 There are many other examples. We are convinced that this approach endears us to existing and potential local advertisers. It is clear to them that we are not after maximum advertising dollars every time. We are seen to be part of the team which will develop and execute a campaign that will benefit everyone in the long term. Our training and development policies also enable us to ensure that sales people are familiar with the most effective ways to achieve these objectives.
- 7.16 RRB has just introduced a sales program identified as “The Extra Mile”. DMG will support this program with airtime over the next year to a market value of around \$2.5 million. The program involves the development of “The Extra Mile” as a brand name to be owned by advertisers who can demonstrate that they are part of the fabric of their local communities and they have a track record of support and encouragement in those communities. It will be a real community brand name. Advertisers who participate in the program will be small and select. They must be advertisers who our audiences tell us are respected contributors in their communities. It is not appropriate that we should mention those advertisers here. However, a great deal of support has been obtained in local communities for this program by RRB. It is a program which recognises the roles played by these advertisers in their communities. It rewards them for those roles. It should encourage other advertisers to seek to be admitted to the program. But to do that they must first have the strong support of their communities. We believe this is a good thing for those communities and for their economies.
- 7.17 The hubs also enable us to offer better focus to advertisers. This is because advertisements which are uniquely relevant to just one particular market, for example, can be produced and then broadcast from the hub into just that market. Our hub technologies enable simultaneous advertisements for one advertiser which are targeted to each individual market. Refer to the cutting edge technologies outline in Appendix 8. Without our hub technologies it would have been necessary to produce and then individually broadcast a large number of separate and distinct advertisements. That resulted in production being very expensive and advertisers therefore would not do it. But we can now offer it to them at an affordable price and local communities benefit because they now get to receive those advertisements unique to them.
- 7.18 Some of the quotes from our own employees and from local business people in Appendix 6 support the approach we take with advertisers both in respect of the quality of production and also the importance of the value they place on the total advice and assistance we give.
- 7.19 CEASA has just reported that non-national revenue in regional and rural radio was \$87 million in the six months up to June 1999 and that number had fallen to \$74 million in the six months up to June 2000 (Commercial Economic Advisory Service of Australia, Report for the six months ended 30 June 2000). It is important in our view to recognise that we continue to invest much more money in regional and rural markets even though revenue earned from those markets for the industry as a whole has declined. The total share of our commercial stations was in fact more, not less, over that same period. In other words, we took an increased share of a decreased market. Again, therefore, we must be doing something right. This is just another way that our commitment is made clear.

## NEGATIVE CAMPAIGNS

- 8.1 We believe that we have achieved an excellent mix of quality programs, quality reception, information relevant to our local communities, responsiveness to disaster and emergency situations, responsiveness to audience demands and responsiveness to advertisers' demands, and that we achieve this mix far better than it has ever been achieved by non-metropolitan radio services in the past.
- 8.2 Our belief that we have found an appropriate mix is supported by the fact that in almost 30 markets where we own and operate almost 60 non-metropolitan radio stations, over the past year, we have received less than two dozen logged complaints about the content or quality of our programs. Appendix 2 includes a summary of the number of logged complaints received in each of our markets over that period and in connection with the content or quality of our programs. All complaints are logged (whether received in writing or by telephone or email) and we are therefore confident that these numbers are accurate. During the early stages after the introduction of each of the hubs, we did also receive logged complaints in connection with the quality of reception. Those complaints had nothing to do with the content or quality of programs and were restricted to reception issues which were capable of remedy through engineering and other technical means. We have attended to almost all of those issues and we can report that logged complaints of that nature are now extremely rare (eg no more than one such complaint every two weeks in aggregate across all of our markets). We also received a few queries about format changes but they were not complaints and were not intended by the callers to be treated that way.
- 8.3 The complaints we have received in respect of the content and quality of our programs are so few and isolated, and unconnected to each other, that there is no value in any attempt to outline them here. It is enough to point out again that we have received less than two dozen such complaints in respect of almost 60 commercial stations in almost 30 markets and that those complaints do not reflect any particular pattern. They all related to separate and isolated instances. None of them related to local content. Again we think this is an outstanding achievement.
- 8.4 Appendix 3 includes a summary of some of the surveys and research which have been undertaken by A.C. Nielsen. Although it is only a selection of a small number of the surveys and research, it is instructive because, based on the recorded attitudes of listeners, it is not hard to understand why the number of complaints has been so few.
- 8.5 DMG Group recognises that some complaints have been made through the local press or by petition to local councils etc in a very small number of markets. In fact the only market where complaints of that kind have been pursued with vigour is Wagga Wagga. We have also seen it to a much lesser extent in Bendigo and Port Macquarie. Although we treat all complaints with respect and we have therefore reviewed the bases of these complaints in a lot of detail, we must first point out that these complaints seem to emanate from groups of people, the majority of whom represent:
- confirmed aspirant broadcasters (ie potential competitors);
  - disgruntled former employees or other former radio industry workers, or local identities, who view our establishment of the hubs as an opportunity for them to complain in their own self interest; and



- a very small number of local advertisers who are no longer able to get free or discount air time on our commercial stations (due to the professional and equal approach we take towards all advertisers).

- 8.6 In our view it is fundamental to note that none of these complaints relate to the content or quality of programs or to our abilities and commitment as a broadcaster. These complaints purport to set out the concerns of “aggrieved listeners”. But they do not come from listeners in their capacity as listeners. We also think it is pertinent that none of these groups of people made any attempt to direct complaints in good faith to us and to embark upon any process of discussion or mediation with us. They went straight to the local press or local councils. It is of course their right to do that. However, in our invariable experience, this demonstrates not a desire to make complaints in good faith which can be resolved through mutual co-operation but, rather, it demonstrates a desire to embark upon an aggressive public campaign in which emotive language and catch cries about “localism” can be bandied around without any proper discussion or analysis of the real issues.
- 8.7 To be frank, complaints waged in such a public way are “campaigns” rather than “complaints” in the real sense and are directed not with a desire to improve any perceived problem with our existing services, but with a desire to obtain their own radio licence and to set up in competition to us, or otherwise to pursue their own self interest. Their actions make sense when this is understood. They did not come to us and participate in discussions and mediation in good faith because, at the end of the day, that was not their motivation. We submit in the strongest possible terms that complaints made by potential competitors and others like this must be discounted to a very significant extent by this Inquiry. Complaints by listeners and advertisers are relevant, but complaints by potential competitors and others like this, if not irrelevant, are at least tainted and unreliable.
- 8.8 We also point out that complaints from groups of people, along the lines identified above, have very much subsided in Bendigo and Port Macquarie. We do not pretend that those complaints no longer exist. But in those cases we have been able to embark upon discussion and mediation and, to a large extent, concerns which existed when the hubs were first established have now receded. That is because the quality of our programs and our commitment to localism has come through. Wagga Wagga is the only market where we have been unable to quell these concerns. That fact in itself is salient. Wagga Wagga is also the only market in which complainants have made it clear that they wish to obtain their own radio licence and to become our competitors. We suggest that there may be some correlation between the fact that that group of people has been very slow to recognise the quality of our programs and our commitment to localism, and the fact that they hope to obtain their own radio licence and to become our competitors.
- 8.9 Riverina Radio Group (“**RRG**”) has lodged a document with this Inquiry. It has also lodged documents with other organisations including the ABA. RRG seeks the issue of a new commercial radio broadcasting licence to it in Wagga Wagga. It will then be able to compete with us. This is not the time or place to debate whether a new commercial licence should be issued in Wagga Wagga. We believe that it should not. Wagga Wagga cannot support a new commercial station. In fact, the issue of new commercial licences in other regional and rural markets, over the past few years, accelerated the consideration and ultimate use of networks or hubs in the first place. It was through our surveys and research of audience demands (and not through any action of governments) that we were able to turn that into a positive for our listeners. But it is still instructive to note that our use of networks or hubs was caused (and at the time we said it would be caused) by the issue of new commercial licences. In any event, if we put all of that aside for the

moment, it is still our view that a new commercial licence should not be issued in Wagga Wagga. However, if a new commercial licence is in fact to be issued, we cannot see any problem with a bid being made by RRG. RRG should compete in the auction process just like any other aspirant broadcaster. Whether or not it succeeds will depend on whether it is prepared to pay for the new licence an amount in excess of the amount bid by any other aspirant broadcaster. That is the centrepiece of our legislative framework. The ABA has completed almost four fifths of the planning process under that framework. Wagga Wagga is included in the final fifth stage. It would be arbitrary and discriminatory, and without precedent, to change the legislative framework before completion of the final fifth stage of the planning process.

8.10 DMG Group believes that the document lodged by RRG is inaccurate and in error in so many ways that it is almost impossible to attempt to refute it line by line or even section by section. What we have demonstrated in our submission, in connection with new technologies, localism, disaster and emergency situations etc, disproves most of the criticisms contained in the document lodged by RRG.

8.11 However, there is one final part of their document which we feel bound to deal with. RRG makes the following observations:

*“... local radio ... should change ... most importantly ... according to the local community listeners [sic] attitudes, needs and suggestions.*

*It is, after all the local regional communities [sic] licence, and ultimately thus their station ...”.*

These observations reflect fundamental misconceptions, first, about our legislative framework and, secondly, about the way commercial stations operate.

Those observations should be addressed as follows:

- local commercial stations are owned by and belong to their commercial owners and our legislative framework has recognised that fact for years;
- commercial owners of local commercial stations pay very high prices for those stations for the very reason that they then have the right to program those stations as they think fit (subject to compliance with the law);
- those commercial owners derive a return on the prices they pay, through earning revenue from advertisers and, therefore, their primary business object is to own commercial stations which are attractive to advertisers;
- what is attractive to advertisers is based on ratings and therefore on the results of surveys, and commercial owners of commercial stations are therefore influenced, in their programming choices, by reference to ratings and surveys because, at the end of the day, those ratings and surveys will determine their attractiveness to advertisers;
- those ratings and surveys reflect audience demands and therefore it would be foolish and improbable that commercial owners of commercial stations would ignore “listeners attitudes, needs and suggestions” because to ignore those things would be to cut off their own noses;

- commercial owners of commercial stations therefore respond to the attitudes, needs and suggestions of listeners, although they do so not because they are required as a matter of law, but because they are committed to their local communities and because they are required to do so as a matter of prudent business practice;
- our legislative framework recognises this through the distinction between commercial stations, on one hand and community stations, on the other hand;
- due to the importance of ratings and surveys, and the focus of most advertisers on the attitudes of the mainstream or majority, commercial stations will often be programmed by reference to those attitudes and not by reference to the attitudes of small sections of local communities;
- although they have the right to program those stations as they think fit, they do so by reference to the attitudes, needs and suggestions of listeners, for the reasons statement below and, in effect, the only right which they exercise with real discretion is the right to select which part of the mainstream or majority of the local communities they will target (with a view to earning from advertisers the maximum revenue practicable in the long term) and, once they choose which part of the mainstream or majority of the local community to target, the rest falls into place;
- community licences were introduced for the specific purpose of being programmed not by reference to what is attractive to advertisers and, therefore, what is attractive to the mainstream or majority but, rather, by reference to what is attractive to smaller sections of local communities (where those sections are able to convince the regulators that their needs are such that it is appropriate for them to be represented through the medium of radio broadcasting and whereupon the regulators have issued those sections with community licences);
- those who operate community stations are then expected to make programming choices only by direct reference to the attitudes, needs and suggestions of the small sections of the local communities which they serve (and they are free to do that and, in fact, required to do that, without any reference to attractiveness to advertisers, because they are not concerned about any return on investment);
- community licences, in that sense, are in fact owned by small sections of the local communities and attractiveness to advertisers and, therefore, attractiveness to the mainstream or majority, is irrelevant;
- RRG's assertion that our commercial stations do not listen to the attitudes, needs and suggestions of the mainstream or majority in Wagga Wagga, if that is in fact their suggestion, is wrong because:
  - ❖ our surveys and research in Wagga Wagga disprove that contention and show that we are held in high regard by the mainstream or majority in Wagga Wagga; and
  - ❖ as a matter of prudent business practice, it would not make sense, in the long term, for our commercial stations to ignore the attitudes, needs and suggestions of the mainstream or majority in Wagga Wagga and, being part of a listed public company group, it is safe to assume that our commercial

stations would not survive and would be forced to change, through internal pressure, if ever they do not respond to the attitudes, needs and suggestions of the mainstream or majority in Wagga Wagga;

- on the other hand, if the assertion of RRG is that our commercial stations do not respond to the attitudes, needs and suggestions of a small section or small sections of the local community in Wagga Wagga (albeit they maintain at the moment that in fact they represent the mainstream or majority, although we have demonstrated that cannot be so), then that is not a valid criticism of our commercial stations and is not an argument which is at all relevant to us, but it may support RRG in an application for a community licence in Wagga Wagga (if in the future a decision is made to issue a new community licence in Wagga Wagga);
- RRG in its document, however, focuses on the issue to it of a new commercial licence and not a new community licence yet there can be no valid argument in support of the issue of a new commercial licence, rather than a new community licence, to RRG;
- we are forced to conclude that RRG desires a commercial licence, not a community licence, because it desires the right to earn revenue from advertisements yet, at the same time, it asks for special treatment, to enable a new commercial licence to be issued to it, without being required to bid and pay a commercial price for that licence at auction and, in our strong submission, to discriminate in favour of RRG, in those circumstances, would not only require fundamental changes to our legislative framework, but would also constitute a grave miscarriage of justice.

8.12 DMG Group submits that the structure and ultimate object of the document lodged by RRG is wrong as a matter of law and demonstrates a misunderstanding of the basis upon which commercial stations operate. RRG in our view wants the best of all worlds:

- in our view they want the right to a commercial licence without being required to pay a commercial price at auction;
- in our view they want a commercial licence to be issued to them on terms which reflect the basis of issue of community licences and not commercial licences;
- in our view they purport to represent the mainstream or majority but, in fact as well as in theory, they do not and cannot represent the mainstream or majority, but at most only a small section or small sections of the local community;
- in our view they do not want a community licence because they do not wish to be constrained in their ability to derive advertising revenue and to generate profits for their stakeholders;
- in our view they do not want a community licence because they want the ability to generate enough revenue to pay employees and others at commercial rates yet, at the same time, again they are not prepared to pay a commercial price for the commercial licence at auction.

8.13 RRG wants something that the legislative framework today does not allow. RRG has not put forward any objective data in support of its request that the legislative framework should be changed. RRB has made no attempt to discuss or mediate with us. To change

the legislative framework in the manner suggested would constitute an immediate and unprincipled dilution of the commercial prices paid by the owners of all commercial stations and would constitute a fundamental change in the ground rules without any evidence in support.

- 8.14 We point out in conclusion that any argument to change the legislative framework in that way, based on some sort of assumed but untested equating of “localism” with “large numbers of people on the ground”, is the sort of thing rejected outright by the Productivity Commission at various points in the Productivity Commission Report. The conclusion of the Productivity Commission is that any future policies and regulations aimed at achieving the social and cultural objectives of broadcasting should not be introduced until extensive public consultations and evaluations are undertaken and, even then, community stations and national stations will be required to play a more significant role in achieving those social and cultural objectives (pages 26, 39, 394ff). DMG Group submits, first, that there is no basis whatsoever on which the legislative framework should be changed as suggested by RRG and, secondly, even if this Inquiry were of the inclination to give any thought to that suggestion, it would first be necessary to complete the final fifth stage of the planning process and then undertake extensive consultations and evaluations as stated by the Productivity Commission. DMG Group is confident that any such consultations and evaluations would conclude in favour of the services now provided by its commercial stations and against the case of RRG.
- 8.15 The Productivity Commission also recognises that a cause for dissatisfaction in many cases is that community stations are not assessed often enough. Community licences are issued in order that the operators of the community stations may satisfy the demands of a small section or small sections of the local community. But once those community licences are issued, regrettably, it seems that there is never again any rigorous assessment of the performance of those community stations against the ongoing demands of the small section or small sections of the local community. Operators of community stations are then left to pursue their own private agenda free from scrutiny at almost every level. Sometimes this results in them competing with commercial stations when that is contrary to the very basis on which they were issued with community licences. In an even greater number of cases it results in those community stations moving further and further away from the demands of the small section or small sections of the local community which they were expected to serve pursuant to the licence. DMG Group does not make any assertion about whether this is or is not the case in Wagga Wagga. However, as a general principle, we do believe that if there is genuine dissatisfaction with the performance of the radio industry in any regional or rural markets, one of the areas which ought to be considered is the performance of community stations and, in particular, whether they continue to do the job for which they were issued their community licences.
- 8.16 DMG Group believes that some community broadcasters may be responsible for frustration amongst some small sections of the local communities. There is evidence to suggest that some community broadcasters get carried away with their own ratings and their ability to cut down the size of the audiences of commercial stations. That is not their job and, once they focus themselves in that way, it is inevitable that they lose sight of the small sections of the local communities they are expected to serve. They become commercial as a matter of fact, but not commercial as a matter of law. This is unfair to the owners of commercial stations. But more than that, it is also unfair to the small sections of the local communities who often will not be represented by commercial stations and who therefore depend on community stations for their demands to be satisfied. We believe that it should be a priority of governments to clean up this situation.

Reference is made to many articles and statements including “Clearing the Air” by Paul Syvret on page 36 of The Bulletin, 17 October 2000.

- 8.17 RRG’s position in all of the circumstances is viewed by DMG Group not as a “complaint” in the ordinary way by listeners or advertisers with genuine grievances, but as a “campaign” by a prospective competitor, with a view to the achievement of a commercial objective by that prospective competitor.
- 8.18 The difference between commercial stations and national stations has been recognised at the top by the ABC. Mark Colvin of the ABC was reported on 23 October 2000 as having said to Media Day, in response to changes suggested for its radio current affairs programs, that the changes might also include “stories determined by audience research” and he suggested that such stories may not be appropriate for the ABC. With reference to stories determined by audience research, he went on to say that “it’s equivalent to advertising or circulation managers telling a newspaper editor what to put on the front page” (Media Day, 23 October 2000, Issue No. 982). We suggest that it is important to note that stories determined by audience research are recognised at that level as appropriate for commercial radio, but not for the ABC. We submit that commercial radio should never be criticised if it programs its stations by reference to audience research. There have been other reports along these lines (eg “ABC Veteran Axed in Ratings Push”, The Australian, 24 October 2000).
- 8.19 Over recent weeks there has been much comment in the press about cuts being made to the news and current affairs budgets of the ABC. It has been suggested that this could have an adverse effect on regional and rural areas. It is not appropriate for us to express any view in that regard. However, this has nothing to do with commercial stations and it would be wrong to impose new or additional burdens on commercial stations as a result of any action taken by the ABC. We submit that budget cuts and any other relevant issues to do with the ABC should be reviewed as separate matters by the Inquiry. That is, the review of those matters should not be permitted to impact on the review of matters to do with commercial radio.
- 8.20 DMG Group has been subjected to one other such “campaign”. It is the campaign of a person or group who or which has assumed the name of “Peter Johnston” (and before that “Peter Townsend”).
- 8.21 From time to time over the past couple of years, editors of major newspapers and also parliamentarians in our regional and rural markets have received letters from a “Peter Johnston” of 207 Darling Road, East Malvern. On some occasions the editors of those newspapers have published the letters. The person or group behind these letters has also written similar letters to the editors of major newspapers in the name of “Peter Townsend”. These various letters are critical of DMG Group. They make points which are remarkably similar to points which have been made in interviews and media reports by one of our major competitors. They are also points which are remarkably similar to points made in the submission by RRG. They are also points which are remarkably similar to some of the terms of reference of this Inquiry. These letters question our commitment to localism. They question whether we are able to provide appropriate services since the introduction of our hubs. They also attack the origin of our ultimate ownership.
- 8.22 Peter Johnston has made no attempt at any stage to contact us. He made no attempt to discuss or mediate. He did not direct any complaints to us. Rather, he too embarked upon a public campaign. We did the right thing. We made several attempts to contact Peter

Johnston. We spent thousands of dollars and devoted hundreds of hours in our attempts. We engaged the services of professional firms to assist us in that process.

8.23 We were surprised by the results. There is now absolutely no doubt that no one by the name “Peter Johnston” lives or works at 207 Darling Road, East Malvern, either now or at any time in the recent past. Moreover, no one by that name is known to anyone who lives or works at that address now. We are forced to conclude, beyond doubt, that these letters do not represent genuine concerns by the person who purports to have written them. They do not represent the views of a person with any real interest in non-metropolitan radio. Rather, they are a prank and a hoax. We believe that they were orchestrated by one of our major competitors. This prank and hoax has caused us considerable damage. Some people have believed, or at least been aroused, by the points made in these letters. In our view it is imperative that there should be an attempt to get to the bottom of this campaign by this Inquiry.

8.24 We now find that editors of major newspapers have now received more letters under another name. This time the name is “John ‘Long John’ Chapman”. These letters make points which are remarkably similar to points which have been made in the letters from “Peter Johnston” and “Peter Townsend”. There are many similarities between all of these letters. First, they purport to be written by a person who purports to live hundreds or thousands of kilometres away from the particular markets which he refers to in his letters. He does not refer in his letters to anything which exists in the markets in which he lives. Secondly, these letters all repeat points which have been made before by one of our major competitors. Thirdly, our attempts to contact the named writers of these letters have been singularly unsuccessful. That is so even though we have spent very considerable amounts of time and money in that process. We are still making attempts to contact “John ‘Long John’ Chapman”.

8.25 Obviously we became suspicious of what seems to us to be foul play. We therefore referred this matter to Dr Laura Tollfree of the Department of Linguistics at Monash University. Dr Tollfree is an expert forensic consultant. She concluded as follows:

*“The patterns of consistency in lexical choice and expression of viewpoint suggest that the unknown material [ie the letters under names “Peter Johnson”, “Peter Townsend” and “John ‘Long John’ Chapman”] was prepared by one writer ...”.*

Dr Tollfree does note that multiple writers cannot be ruled out although, if there are in fact multiple writers, the fact that “some of the texts are almost identical in language structure ...” and “some sentences/paragraphs are common to more than one text ...” means that “this strongly suggests collaboration, or common authorship, of those texts ...”.

Dr Tollfree is an expert. She has confirmed our worst fears. We believe that these letters have been written by the same person or, at least, by the same group of people. With great respect we submit that the points made in these letters should be ignored by the Inquiry. To do otherwise would be to give credence to this unscrupulous conduct. However, the letters themselves should not be ignored by the Inquiry. There should be an attempt to identify their source.

8.26 We should also refer to a letter written to the editor of Ad News by Barry Sandry of Platinum Advertising in Sydney. That letter was published by Ad News on 22 September 2000. A copy is included in Appendix 7. That letter was not solicited in any way by DMG Group. Mr Sandry does not work for us and does not have any business

relationship with us. The letter is a realistic look at what we have done at our hubs. It is not all roses. Mr Sandry does miss the days when “every voice was live”. However, the following passages from that letter are useful:

*“... I was fortunate enough to have a tour through the new hub operation in Townsville that broadcasts both its local and networked programs and the facilities were nothing short of radio heaven.*

*It's obvious from the minute you walk in that these guys are into radio. Which is a lot more than can be said for other major networks that I've both worked for and dealt with in Australia over recent years. Networks that are driving a 40% bottom line and are too stingy to throw a coat of paint around and some carpet down to make their staff feel like their [sic] working anywhere closer to 2000 than 1985.*

*Apparently, DMG has spent some \$8 million on the new hub in Townsville and doesn't it show. It has undoubtedly the best radio station operation I've ever seen. State-of-the-art air studios and production equipment, roomy, bright, modern and airy - the staff would be hard pressed to want to go home. ...*

*As for the air content on the stations, an enthusiastic jock from Hot FM was telling me that he broadcasts local information to each of the stations in the network via the use of computer. He just records the back announces of songs for each station and they all go to air on each station simultaneously.*

*The content of the show is the same in each market with the local info being inserted separately and seamlessly. The locals get local station ID's, time calls and weather information together with stuff that is happening in their area.*

*Previous attempts at networking from city stations in the past have been so ordinary that basic things like station identification, time calls and weather were left out because the programmers couldn't come up with a way of making it sound local. ...*

*Radio has undergone some big changes with the advent of computers and the ability to prerecord the entire show is now available. Talent and preparation will be the only influencing factor in the final sound that goes to air. And while I don't personally think that non-live radio is the best for the listeners, at least DMG has embraced technology and used it to its best ability to deliver a quality radio program to several markets.*

*Each market still has its own breakfast (and in some places morning announcers, the rest are topped up with afternoon, drive and night programs that sound 10 times better than the offerings of earlier networking attempts). And while it may take some extra effort to broadcast emergency information at night, they just need to think it through and have the local emergency services in each area contact the live jock at the hub.*

*... at least it [DMG] has thrown some money at its stations to make them as good as they can be. A lesson that some other big radio networks in the country could learn.*



*Radio is and always has been about people and providing you give your people the resources, training and encouragement to succeed in an industry they love and are passionate about, the industry will survive and prosper. ...*

*As far as DMG having a bang at the bigger markets, all strength to it, competition will only make radio the winner”.*

We have verified the existence of Mr Sandry. We have otherwise made no attempt to contact him. But obviously we believe that his letter is balanced (although we also believe that some of his comments, for example in relation to the broadcast of emergency information at night, are not accurate).

We should also point out that we exposed the hoax of “Peter Johnston” before this letter was published from Barry Sandry. It was therefore impossible for those behind the prank to respond to Mr Sandry in the name of “Peter Johnston”.

That is when the letter appeared from “John ‘Long John’ Chapman”. We have indicated above some thoughts in relation to that letter. We have not yet found Mr Chapman.

Mr Sandry supports our attempt at “having a bang at the bigger markets”. We tend to think that those who already operate in the bigger markets would prefer that we did not “have a bang” at them.

- 8.27 In conclusion, apart from less than two dozen genuine and isolated complaints over the past 12 months and taken over almost 60 commercial stations (ie approximately one complaint per annum for every 3 stations), we have received no genuine complaints in relation to the quality or content of programs from listeners or advertisers, but regrettably have been subject to at least two aggressive public campaigns, one of which is wrong and misconceived and motivated by self interest, and the other of which is a prank and a hoax, and malicious.

## DIGITAL TECHNOLOGIES

- 9.1 Digital radio is not like digital television, in terms of its likely consumer appeal, as is demonstrated by the very slow take up of digital receivers in countries where digital radio has been introduced (eg in the UK). Digital radio does offer some improvement in sound quality over AM and even FM. However, although digital transmission may result in less interference in metropolitan areas, the need for many more transmission points, coupled with the very large licence areas covered in our regional and rural markets, means that digital transmission will be much more expensive and difficult to introduce in this country and, in particular, in non-metropolitan markets. Digital transmission will not necessarily improve the quality of reception in regional and rural markets unless there is an enormous investment in infrastructure.
- 9.2 Commercial owners of commercial stations in regional and rural areas are yet to see the benefit which will flow to them through digital transmission. It is not clear to them that their audiences will increase. It is also not clear to them whether they would be able to utilise or sell, or whether there will be alternative demand for, their existing analogue frequencies on AM and FM. These are areas where issues which relate to digital radio are very different from issues which relate to digital television. Commercial owners of commercial radio stations in regional and rural areas would therefore need a lot of encouragement before being able to make a valid business case for the required investment in necessary infrastructure for digital radio to be introduced in those areas. That encouragement must be in the form of automatic access to digital spectrum free of charge and no compulsion to simulcast existing analogue services on digital spectrum, coupled with the right to develop and broadcast new and innovative services on part of the digital spectrum.
- 9.3 DMG Group submits that without such encouragement commercial owners of commercial stations in regional and rural areas will not invest the necessary amounts into the infrastructure required for the introduction of digital radio in those areas. The cost would be too great and the potential return would be too insignificant and too far away. Audiences do not demand it and the benefits to them are questionable. The same applies even if digital spectrum is made available to existing analogue radio broadcasters. DMG Group also submits that there is no basis on which to treat existing analogue radio broadcasters in any way which is not the same as the treatment given to existing analogue television broadcasters in connection with the introduction of digital television.
- 9.4 DMG Group believes that commercial owners of commercial stations in regional and rural areas may be able to make out a business case for the required investment in infrastructure if they are given the digital spectrum free of charge and the right to develop and broadcast new and innovative services through digital means alongside the conventional analogue services which will continue to be broadcast on AM and FM and may be simulcast on digital spectrum. If commercial owners are given 256kbps of digital spectrum, and use 110kbps to simulcast existing analogue services, they will be able to use the remaining 146kbps to develop and broadcast new and innovative services. Those services may include data and other information services produced for the specific use of regional and rural communities. That would enable real benefit to those communities and, at the same time, it may enable commercial owners to develop digital radio in a way which enables at least part of the cost to be recouped earlier than would otherwise be possible.
- 9.5 If this approach were possible, those new and innovative services broadcast through digital technology may be able to be special purpose services (such as complete local

information services or local minority group services in regional and rural areas). In other words, if digital radio has any immediate relevance in regional and rural areas, it could only be through text and multi channelling capabilities, and through existing commercial owners having the right to develop new and innovative services with those text and multi channelling capabilities, alongside existing analogue services which would continue to be broadcast on AM and FM and simulcast, at the election of the commercial owners, on the digital spectrum .

9.6 The Productivity Commission agrees with this analysis. On page 259 of the Productivity Commission Report it is noted that:

*“Digital radio broadcasting offers new services and some improvements over traditional analog radio, including ancillary text and images, improved audio quality and ease of use, and the capacity for broadcasters to configure different program streams, in much the same way as a digital television multiplex. However, the emergence of digital terrestrial radio has been slower than digital television ...*

*... in 1998, the Minister announced that existing commercial, community and national radio services would be permitted to convert to digital, but would be required to transmit their programs in analog mode for a simulcasting period to ensure listeners are not disadvantaged. ...*

*The ABA stated that conversion to digital radio is not imminent, partly because there is no clear new market application for the spectrum occupied by analog services - a factor that will drive the conversion to digital television. ...*

*... there is a shortage of available spectrum for digital radio simulcasting. Unlike television, where sufficient spectrum is available to enable each station to simulcast in analog and digital, there is likely to be insufficient spectrum to enable all of the existing radio stations to simulcast. ...*

*Several participants suggested the simulcast period could have to be much longer for radio than for television. McKerlie Consulting estimated a 20 year period of simulcasting, given the number of radios owned by an average household and the large number of car radios. Another factor is that people use radio as a casual medium - like hi definition television, greater audio quality may not have great consumer appeal.*

*... only the United Kingdom has begun digital radio broadcasting in a substantial way [with a small number of other countries beginning since the date of publication of the Productivity Commission Report]. After several years of transmissions, prices for consumer receivers remain high and the range of equipment available is limited. Receivers appear to be designed for a small market of audio enthusiasts. ... over the same period, the alternative platform of internet radio has grown quickly.*

*... a legislated conversion process for radio comparable to the television scheme appears to hold few benefits for consumers. The features of the new platform over analog radio do not appear great from a consumer point of view. Further, because analog radio services do not consume spectrum as voraciously as analog television, the benefits from any spectrum freed after a lengthy simulcast period appear minor.*

*When the technology of digital radio has developed to the point of practical deployment and affordable reception, digital radio services should be allowed to augment rather than replace analog radio services.”*

DMG Group agrees generally with these conclusions. It agrees that a lengthy period of simulcast will serve no useful purpose unless commercial operators are allocated enough digital spectrum that they can develop and broadcast new and innovative services alongside the simulcast of conventional services. That may enable commercial owners to turn digital radio into a viable product over a timeframe which is not so long term as to be uneconomic.

- 9.7 The payment of commercial prices for digital spectrum has been recommended by the Productivity Commission. We do not agree. As indicated above, the economic development of digital radio is at best uncertain and, if there is to be any prospect of that within a reasonable timeframe, the digital spectrum must be issued free of charge to existing commercial owners.
- 9.8 We are positive about digital radio. We believe that the improvement in sound quality over AM and even FM is real (albeit less significant than the improvement in visual quality over analogue television). We also agree that the universal widespread adoption of digital radio would release a lot of spectrum and, although there are no apparent uses for that spectrum in a significant way today, it is probable that such uses will become apparent if and when digital radio becomes a reality. Again, that spectrum could even be used for specific regional and rural broadcasts. At the end of the day, however, it is the very long projected take up of new receivers by listeners which constitutes the most significant practical problem. Very long periods of simulcast alone is not the answer and is not an efficient use of spectrum. That is why we believe that the best way to encourage research and development, and investment, in digital radio is to enable existing commercial operators to be given digital spectrum and to be able to develop and broadcast new and innovative services alongside their conventional services which could also be simulcast. We believe this would enable the quickest possible development of a market for digital radio and therefore the quickest possible take up of receivers by listeners. It could also have the very desirable side effect of enabling the development and broadcast of new and innovative services for regional and rural areas.
- 9.9 Simulcast alone is not enough. Existing commercial operators will not make the investment because they will not see the return. And listeners will have no need to take up new receivers because they will still be able to hear our services of almost equal sound quality on AM and FM. This approach would also not deliver the social objective of new and innovative services.
- 9.10 Any consideration of the abolition of analogue services should only be undertaken once digital spectrum has been allocated free of charge to existing commercial owners and there has been sufficient time to enable a proper assessment of the take up of receivers and the general audience acceptance of and attitudes towards digital radio and, in our view, that will take until at least 2008.
- 9.11 DMG Group would be pleased to provide more information and to discuss the potential and limitations of digital radio if that would assist. However, it must be understood that digital radio does not provide immediate benefits for regional and rural communities today.

9.12 DMG Group is also aware of the position taken on digital radio by the Federation of Australian Radio Broadcasters (“**FARB**”). FARB’s recommendations include the following:

- automatic access to digital spectrum free of charge for existing commercial operators;
- no date for the return of analogue spectrum until after a review of progress in 2008;
- no compulsion to simulcast existing analogue services on digital spectrum;
- flexibility on digital spectrum usage;
- no new analogue commercial licences outside the current planning process until 2008;
- a moratorium on licence fees for regional broadcasters for eight years;
- resolution of a model with legislative endorsement by the middle of 2001 with a view to commencement by 2002;
- freedom to use a portion of digital spectrum for datacasting.

DMG Group agrees with these recommendations.