



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON COMMUNICATIONS,  
TRANSPORT AND THE ARTS

**Reference: Radio racing services**

WEDNESDAY, 8 DECEMBER 1999

CANBERRA

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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND THE**  
**ARTS**

**Wednesday, 8 December 1999**

**Members:** Mr Neville (*Chair*), Mr Gibbons, Mr Hardgrave, Mr Hollis, Mr Jull, Mr Lindsay, Mr McArthur, Mr Mossfield, Mr Murphy, and Mr St Clair

**Members in attendance:** Mr Gibbons, Mr Hollis, Mr Jull, Mr Lindsay, Mr McArthur, Mr Mr Murphy, Mr Neville and Mr St Clair

**Terms of reference for the inquiry:**

- The extent of, and the value placed on, the coverage of the ABC's radio racing service.
- The impact of the discontinuation of the service on the community and the industry.
- The current extent of radio racing coverage and gaps in that coverage.
- Future options for the provision of broadcasting services of racing in regional Australia.

**WITNESSES**

**BACON, Mr David John, Chief Executive Officer, Federation of Australian Radio Broadcasters Ltd . . . . . 257**

**CARROLL, Mr Graeme, Manager, Public Affairs, Federation of Australian Radio Broadcasters Ltd . . . . . 257**

**Committee met at 8.38 a.m.**

**BACON, Mr David John, Chief Executive Officer, Federation of Australian Radio Broadcasters Ltd**

**CARROLL, Mr Graeme, Manager, Public Affairs, Federation of Australian Radio Broadcasters Ltd**

**CHAIR**—I welcome to the table Mr David Bacon and Mr Graeme Carroll from the Federation of Australian Radio Broadcasters Ltd who will give evidence before the committee this morning. The House sits at 9.30 a.m. and a number of members have work to do before that. So if one or two members get up and walk out, do not think that something is wrong with your evidence, it is just that when we have a public hearing on a sitting day, the meeting has a bit of a rolling dynamic about it.

Before proceeding, I wish to advise you that although the committee does not require you to give evidence under oath, committee hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and can be taken as a contempt of the parliament. I also ask that for the benefit of Hansard if you use any quotations or proper names could you defer to the people in the booth before you leave for the accuracy of the record.

Mr Bacon, would you like to give us a five-minute overview?

**Mr Bacon**—I have some opening remarks prepared, if I may, thank you. We welcome the opportunity to appear before you this morning to assist with this inquiry into the impact of the decision by ABC Radio to discontinue its radio racing service. I apologise for my voice, I have been struck down by the lurgy. I will endeavour to make myself understood.

Commercial radio broadcasters historically broadcast racing but as audiences dwindled it became uneconomic to continue and they were taken off the air. This is borne out by ABC research presented to this inquiry which shows that there is a low level of interest in horse racing and that the level of interest in horse racing is declining.

The introduction of the Broadcasting Services Act in 1992 led to the advent of narrowcasting which is, in our opinion, the ideal category for niche formats such as racing. Some commercial operators who acquired narrowcast licences did offer to establish racing services, but other narrowcast operators had already moved to establish networks across states, which incidentally provide a comprehensive coverage of racing throughout Australia.

The focus of FARB's submission to you is twofold and is based on maintaining the existing categories of service under the Broadcasting Services Act. Firstly, we are opposed to an extension of tenure for narrowcast licences. We have seen no evidence that the limited duration of transmitter licences for use in connection with open radio narrowcast services has resulted in a reluctance on the part of persons applying for those licences to deliver racing services. In fact, the prices paid for those licences reflect their limited duration. Secondly, we do not believe there is any evidence supporting the assertion that it would be in the public

interest to amend the BSA so as to create a new class of racing radio licence that would be issued on an indefinite basis.

Put simply, existing narrowcast systems have the potential to solve the problem and we do not believe that changing the name of the licence would advance the solution. If accepted, submissions advocating the creation of a new category of licence especially for racing involve a further blurring of the important distinction between the categories of service, namely: national, commercial, community and narrowcasting.

To briefly sum up, in our opinion narrowcasting is the ideal vehicle for racing radio. Judging from other submissions to the inquiry, when it is completed the Australian Broadcasting Authority's planning process will provide a wider coverage of narrowcast services, which we believe will help fill the gaps existing in regional coverage, particularly the more heavily populated New South Wales south-east, the far north coast and the Riverina, and Victoria's Gippsland area.

We estimate that this will leave only a very small number of racing enthusiasts in remote regions unable to receive a racing service. The answer to providing a service to those people could well lie in the government's own endeavours to ensure people in remote regions of Australia have access to the latest communications technology. Sky Channel and Austext, along with the TAB and 2KY's website, as well as the ABC which as part of its mission statement may produce open narrowcast services, offer an opportunity for people in those remote areas to continue to have access to the service.

We would be happy to respond to questions, Mr Chairman.

**CHAIR**—Thanks, Mr Bacon. Let me cut right to the chase: why would FARB want to oppose the concept of a separate type of licence? Your members are not providing the service, your members go and openly compete against the TAB and 2KY people for licences, can you not be accused of having a vested interest in giving evidence like that?

**Mr Bacon**—I think if we changed it to, say, increase the tenure and make this a long term thing, we would be in danger of creating another commercial network and another commercial service.

**CHAIR**—What is wrong with that?

**Mr Bacon**—We believe that as they stand the narrowcast services with their limited tenure give the opportunity for different interest groups to be able to bid for licences when they become available, as we have observed with racing coverage and the like. It is in decline in terms of appeal. The survey numbers came out in Sydney and Melbourne just yesterday and we saw that the racing services now occupy about only two to three per cent of listener appeal. We believe that creating a service which is specifically directed at one area of sport would not serve broadcasting particularly well, particularly with the limitations on the spectrum.

**CHAIR**—Yes, but is it not a fact that the TAB broadcasters—and that covers 927, 2KY and 4TAB—have established a service and a listener base and then your members go and

bid for their licences? Having regard for the fact that they are putting their licences in there to provide a service, your members are going in for commercial gain. Do you think that that is allowing both parties to be equal in the market place?

**Mr Bacon**—I think the narrowcast services that we are discussing for racing are able to sell advertising and are able to generate revenue so that they are competitors in the market. That is why on occasions our members bid for them. There have been occasions when our members have sought to acquire the narrowcast licences to provide racing services because they have seen that there is a niche. It is a small niche, but sometimes it could be viable if the size of the population is okay.

**CHAIR**—What then is the government's responsibility if we allow the ABC not to broadcast these things? We have the TAB providers who go in and provide a racing service in an area and you take their licence; what then should the role of government be to the community that is being deprived of the service? Should we place a community service obligation on your members to continue the service, at least perhaps on Saturday afternoons and public holiday Mondays?

**Mr Bacon**—I stand to be corrected, but I am not aware of any instances where our members have acquired the narrowcast service and prevented the broadcasting of the races.

**CHAIR**—I understand it happened at Yeppoon.

**Mr Bacon**—It has happened, has it?

**CHAIR**—On the Capricorn coast.

**Mr Bacon**—I am prepared to take that on notice and explore it.

**CHAIR**—I do not have the detail but that was my understanding.

**Mr Bacon**—I am unaware of that.

**CHAIR**—What would you think of the concept then that a community service obligation be placed on a commercial broadcaster who takes up a TAB-type licence to continue to broadcast, say, on Saturday afternoons, public holiday Mondays, and perhaps the major midweek event, be that on a Wednesday or Thursday?

**Mr Bacon**—I think it is very difficult for government to make the call that that is what the demand in the market is for. We are only talking about racing here. It could be that in those markets there is also a demand for coverage of rugby league or other sporting events. There may be other special interest groups who have completely diverse interests and are not interested in it. It is a very difficult call.

**CHAIR**—Yes, but you know our terms of reference: we are to advise the parliament, and through the parliament the government, on appropriate replacement services.

**Mr Bacon**—We believe that making available the narrowcast licences is the appropriate way to deliver racing services, because they do cater for the niche markets.

**CHAIR**—You have probably read the evidence, and I think it was either Mr McCormack or Mr Houston in Brisbane who made the point that they had 62 licences, a few AMs and mainly FM narrowcasts. They said there was no guarantee that they could continue those—and in some of the areas they were being provided as a service—and that if they had to defend them at an auction every five years they would be withdrawing the service. So I repeat the question: what would you think in that instance of attaching a community service obligation to those licences?

**Mr Bacon**—I would have thought that the amount that they are prepared to pay for those licences would reflect the value of them and would also reflect the fact that there may potentially be an audience for these sorts of services. I believe that at some stage in broadcasting the question of viability must be considered: is it appropriate to demand anybody to provide a service to an audience that is so small that it is non-viable? I think—

**CHAIR**—It is as big as ABC's FM radio, or ABC's Radio National, all of which are around that three per cent level.

**Mr Bacon**—I am sorry, do you mean the entire racing in the region?

**CHAIR**—By your own evidence you say it is about three per cent.

**Mr Bacon**—Those were the audiences in Sydney and Melbourne that I was quoting.

**CHAIR**—I would imagine that would be higher in the country, or certainly comparable.

**Mr Bacon**—Possibly.

**CHAIR**—Possibly higher. I have had a good run, I will cut to my colleagues?

**Mr MURPHY**—Mr Bacon, how attractive would it be for people to take out narrowcasting?

**Mr Bacon**—How attractive is it now?

**Mr MURPHY**—Yes.

**Mr Bacon**—I think it depends on the regions. It is interesting to note that there was an auction for narrowcast licences two weeks ago. Prices for those licences ranged from the standard \$4,000 in many regional markets to one licence that went for \$210,000. I think that reflects the value that people place. But it is interesting that of the 18 licences auctioned—I think it was 18 and I will provide the committee with a copy of the press release so that we get these numbers right—14 of them went to Racing Radio. So they are able to compete and to compete quite effectively. As I said, many of the licences to Racing Radio went for \$4,000. In fact, as I understand it the bidding was not from our members but from other interest groups as well, such as people wishing to offer ethnic broadcasting services.

**Mr MURPHY**—Would you be cautiously optimistic that it would be sufficiently viable for a number of operators to take up sufficient narrowcast licences to basically fill the void that now exists?

**Mr Bacon**—Yes, I believe so. I think that has been demonstrated, particularly by the Racing Radio people in New South Wales. The group which derives its service from 2KY were able to acquire most of the licences—I think all of the licences—that they wanted to continue to expand their service, certainly in New South Wales.

**Mr MURPHY**—And what about the people that you talked about earlier in the very remote regions of Australia? Would you be suggesting that the government look after those people in terms of its broadcasts?

**Mr Bacon**—I think it is a very difficult one for commercial operators because of the remoteness and because of the question of viability. We have noted that within its mission statement the ABC does have the opportunity to be able to provide those services.

**Mr MURPHY**—Thank you.

**Mr LINDSAY**—Mr Bacon, I would like to go down the track of availability of frequencies. Is it your evidence that your members believe that if a service is commercially viable they will provide it, and if it is not, they will not provide it? Is that basically the bottom line?

**Mr Bacon**—Yes, provided that they own a licence, have the spectrum, or within the Broadcasting Services Act have an entitlement to a licence, then I would expect that our members, or new operators, would bid for licences. But, yes, the market drives the appeal.

**Mr LINDSAY**—Is it your view that if the government stands back from this and provides whatever spectrum might be needed, the market will provide a service if the service is in demand? Is that what you think?

**Mr Bacon**—You have niche areas of limited appeal that are not commercially viable, and our members would not always bid for a licence or seek to provide a service which is not viable. They are in business and have shareholders and have an obligation to make some money.

**Mr LINDSAY**—Do you think this whole thing is none of the government's business and we should just bow out of it and let your members do what they should do?

**Mr Bacon**—That is very difficult to answer, Sir. Certainly we are sensitive to the fact that there are people who live in remote areas who are demanding coverage of all sorts of things.

**Mr LINDSAY**—I put it to you that you are not sensitive to people in remote areas because it is not viable for you. Let's be realistic about this.



**Mr Bacon**—It would need to be viable, yes. Commercial operators are in major population centres all around the nation. We have 220 members.

**Mr Carroll**—Could I just ask what you mean by ‘remote areas?’

**Mr LINDSAY**—Oh, regional Australia, not the Simpson Desert, but regional Australia.

**Mr Carroll**—That helps to clarify it.

**Mr LINDSAY**—In relation to the ABA and their spectrum management, they seem to have a plan that looks at major concentrations of population and they will allocate frequencies that can be used. There seem to be six or seven frequencies per site, yet in America you can go to a city and you can hear 50 FM channels. Why do you think the ABA seem to be adopting a plan that limits the number of channels that are available across the country? Is there any technical reason that you know of? You may not be able to answer the technicalities, but why is it that we do not have access to as many channels as we want so that if somebody wants to have a radio racing service, they can have it?

**Mr Carroll**—It is my understanding that the ABA is utilising whatever frequencies are available to them.

**Mr LINDSAY**—But I just said to you, and you know, that in America you can go to a town and you can hear 50 FM channels. Why can’t we have that in Australia?

**Mr Carroll**—Because in America the spacing between the frequencies is less than in Australia. Out here we have adopted a far greater safety zone for frequencies to operate. I am not a technical person but that is my understanding of how it works.

**Mr Bacon**—Perhaps we could take that on notice if you would like some evidence on that.

**Mr LINDSAY**—Would your members support the allocation of more frequencies?

**Mr Bacon**—This is an issue which has been raised by the Productivity Commission as well, that if the spectrum is available perhaps a licence should be issued, and in fact we are appearing before them this afternoon. Our view is that the question of viability is very important to operators and so, while we recognise that the capital cities and large centres of population are perhaps able to support the number of licences which they have, in offering a lot more licences in regional Australia the question of viability comes into it and perhaps these services could not be sustained commercially. Therefore, they would fail, no matter how well intentioned everybody was. We have a number of operators, particularly in regional Australia, who are now running at a loss.

**Mr LINDSAY**—I will take up the viability question in a moment. Given what we have seen now with the way radio racing services are being provided and the way they have been taken off some of the mainstream broadcasters, do you think that is just the market adjusting to consumer demand and that the government should in fact allow that to happen and not interfere in that process?

**Mr Bacon**—Yes, I believe so, but the fact that the licence category of open narrowcast was created, and that the TABs particularly have moved to acquire these licences, is a good indication of the market working and that where viable they can operate a service. I think it is also important to consider that they have the advantage of very low costs; that all of their programming comes on relay. So it is a small transmitter site which does not require people to be there all the time, and therefore the economies of scale apply as well. Therefore, it is quite cost effective for them to deliver this service that way.

**Mr LINDSAY**—Do you think the government has been sufficiently mindful of the question of viability in radio in the way it has been deciding its policies?

**Mr Bacon**—My opinion is that, yes, it has. Mr Carroll, would you agree with that?

**Mr Carroll**—I would agree with that, yes.

**Mr Bacon**—I think to date that would be the case.

**Mr LINDSAY**—In my city of Townsville they have four commercial FM stations and there are only four commercial FM stations in Sydney. Does that indicate the government is mindful of the viability of radio?

**Mr Bacon**—Our members often use that as an example. I can take it on notice but we understand that they are viable in that market.

**Mr LINDSAY**—Mind you, it is a good market. Is it your evidence that by and large your members do not really wish to be involved in radio racing services?

**Mr Bacon**—That is correct. They have been there, up until the eighties. As a young broadcaster myself I remember doing many a racing relay, and it was viable in those days. But gradually over time people's interests seem to change and as a result of the market surveys and the declining advertising for those sorts services—

**CHAIR**—Do any of your members still broadcast racing?

**Mr Bacon**—Not to our knowledge, apart from the 2KYs, 3UZs.

**Mr LINDSAY**—And FARB is happy to leave it to other sectional interests to provide that broadcasting service?

**Mr Bacon**—Yes, we believe that that is the ideal solution to this issue.

**Mr LINDSAY**—Okay. Thanks.

**CHAIR**—On page 3 of your submission you remind the committee:

. . . that to provide an open narrowcast radio broadcasting service a person does not require a licence allocated under the BSA by the Australian Broadcasting Authority (the ABA). All open narrowcast radio broadcasting services are provided pursuant to the one class licence . . .

What are you talking about there? What is your comment there? We could not wrap our minds around what you were saying there.

**Mr Carroll**—They are a class licence under the Broadcasting Services Act and as such they are issued by the ACA, the Australian Communications Authority, and that is the basis under which they operate.

**CHAIR**—And what follows from that is you object to the special category being allocated to racing or, say, a special sporting service nominated by the minister?

**Mr Bacon**—The creation of a category, yes. We believe it is adequately addressed under the current system.

**Mr Carroll**—As a narrowcast operation, and in fact they are working very successfully as a narrowcast operation per se without the need to determine a particular class for them.

**CHAIR**—I think you argue against yourself a bit. At one stage in your submission you say that it is not in the public interest to change the current system, but you do not provide a solution that would satisfy the public interest in regard to racing. We really thought FARB would be offering us solutions, not just defending its own turf, so to speak.

**Mr Carroll**—I think the ABA planning process is going to produce the remaining wide power narrowcast services in those areas of particular concern, and the Gippsland has been raised by 3UZ, the far north coast by 2KY, and the Riverina. 2KY managed to secure the licences for the south-east New South Wales area when they were offered a couple of weeks ago and that would appear to be solving the problem in the main areas. The remaining remoter areas could well be served, as we have suggested, by the ABC itself, which does have the option of adopting open narrowcast services. Maybe the solution lies there in relays to the ABC to be able to provide that service in those—

**CHAIR**—Are you suggesting that the ABC should have their own service, or that they should take the TAB service on relay?

**Mr Carroll**—I think that is a decision for the ABC. I think probably the most economic would be to take—

**CHAIR**—There are charter difficulties. In fact, one of the reasons ostensibly put to us as being seminal to their decision was the fact that the privatisation of the TABs placed their relationship with the TABs in conflict with their charter, because they were providing money, or buying services or whatever the case might be, from what was now a commercial operation rather than a public service operation.

You have also suggested that you have had complaints from your members about people purporting to have a narrowcast licence in reality becoming, in my words, a de facto commercial broadcaster. Are you suggesting that the TAB stations are doing this?

**Mr Bacon**—No, not the TAB stations. I think this is a reference to—

**CHAIR**—Would not a category licence with limitations on it be a better option for you, and fulfil the needs of your members more, than allowing this sort of grey area to exist?

**Mr Bacon**—I suppose we would be concerned at the precedent that it sets and that you may then find that other interest groups would be demanding similar networks. This would be the concern. The way things are now, racing fits under the description of the narrowcasters and I assume there would be nothing to stop people who are interested in perhaps jazz music or something wanting equal treatment. That would be one of our concerns as well. Given that the racing services and these types of open narrowcast services are commercial operations, you are establishing national commercial networks which we do not have access to if you were to create that category.

**CHAIR**—You are more interested in the precedent than the problem?

**Mr Bacon**—I think we would be concerned that it created a larger problem.

**CHAIR**—And yet, to the best of your knowledge, none of your members provide a racing service anywhere?

**Mr Bacon**—That's right, it is not viable.

**CHAIR**—When digital radio comes on stream, and the committee has seen a demonstration of the text providing mechanism, would it not lend itself admirably to a racing service?

**Mr Bacon**—From what we have seen it looks ideal for Racing Radio.

**CHAIR**—Probably more than any other—

**Mr Bacon**—From what we understand it would seem an ideal opportunity.

**CHAIR**—One of the things that troubles me is that you say that your members are providing a service to regional Australia, but is it not a fact that nearly all your stations now are becoming big networks operated out of the Gold Coast, Sydney or Melbourne, that there is very little individuality in regional Australia?

**Mr Bacon**—No, I do not believe that is the case. We have 221 members and those stations are owned by 39 owners, so I think that is quite a diverse ownership group. One of the great appeals of commercial radio is its localism. So while there may be some owners who own groups of stations, a lot of their viability depends on their ability to remain local. We think that is one of commercial radio's great appeals. And despite the ownership issues we would see our members continuing to keep that local content going. We believe that being part of a network provides some benefits as well in terms of news gathering, costs of programming and administration and those sorts of things, while at the same time they can remain local.

**CHAIR**—Thank you very much for that. Just before we finish, have any of your members in regional Australia ever suggested that they might be prepared to relay racing, say, on Saturdays and public holiday Mondays?

**Mr Bacon**—Not that we are aware of. We would be happy to survey them for you if the committee felt that that was useful. We could find that out for you.

**CHAIR**—Yes, that would be most helpful, thank you. Do you have coverage areas of commercial radio?

**Mr Carroll**—Do you mean footprints?

**CHAIR**—Yes, of commercial radio?

**Mr Carroll**—Yes.

**CHAIR**—Of each station and its coverage, or is it just a fairly generic thing?

**Mr Carroll**—No, we have detailed marketing maps for each of them.

**CHAIR**—Could you make that available to the committee?

**Mr Carroll**—Certainly.

**CHAIR**—The ABC has agreed to provide it, but we have not been able to get it from some other organisations. That would be very helpful if you could let us have that.

**Mr Carroll**—We will provide that to you.

**CHAIR**—On that note I would like to thank you, Mr Bacon and Mr Carroll, for your evidence today. You will receive a copy of the *Hansard* draft. We trust that you can pass those two things on to us. Also, we trust that we can come back to you if we have any other questions.

**Mr Bacon**—Of course.

**CHAIR**—Thanks very much. On behalf of the committee I would like to thank FARB, those present in the gallery and the media for their attendance at this public meeting today. I declare our inquiry into radio racing services closed.

Resolved (on motion by **Mr Lindsay**):

That this committee authorises the broadcasting of this public hearing and the publication of the evidence given before it at public hearing this day.

**Committee adjourned at 9.13 a.m.**

